

EUROPE'S BUSINESS NEWSPAPER

## FINANCIAL TIMES

JAPAN

A new phase of development

Page 11

D 8523A

No. 31,038 • FINANCIAL TIMES 1990

Wednesday January 3 1990

## World News

## Unrest in Azerbaijan spills over into Iran

A wave of nationalist unrest sweeping the Soviet republic of Azerbaijan has spilled over into Iran along the border with neighbouring Iraq, according to the latest official reports reaching Moscow.

Tass, the government news agency, said that crowds had attacked border posts along some 80 miles of the closely guarded frontier. Page 2

## Panama looting toll

Losses and damage from looting in Panama are estimated by the President of Panama's Chamber of Commerce to reach \$2bn, following the US invasion last month, an amount equivalent to half Panama's annual GDP. Pages 4, 12

## Politburo detained

The new Romanian government said that the entire Politburo of the Communist Party was in detention. The Foreign Ministry spokesman did not say how many had been arrested or what charges they might face. Page 2

## Peace hopes fade

The decision by Israeli Prime Minister Yitzhak Shamir to demote Ezer Weizman for contacting the Palestine Liberation Organisation has reinforced Palestinian pessimism about the peace process. Page 4

## Oil threat persists

A Dutch salvage company said that it refused to allow the Iranian tanker Kharag-5, into sheltered waters for repairs had worsened the oil spill off the Moroccan coast. Page 4

## New Delhi package

Indian Government is to announce a three-year foreign trade policy on April 1 and a new long-term fiscal policy to be presented to parliament. Page 4

## Exodus to continue

West Germany is this year expecting 350,000 immigrants from east bloc countries, excluding East Germany, roughly the same number as in 1989. Page 2

## American nun killed

US-backed rebels killed two nuns, an American and a Nicaraguan, in an attack in north-east Nicaragua, Managua radio reported.

## Israel rejects charge

Israel dismissed as "outrageous nonsense" an Amnesty International report accusing it of encouraging security forces to kill Palestinians during unrest in the occupied areas.

## Emigrants welcomed

Turkish emigrants returning to Bulgaria from Turkey will be able to reclaim their jobs and property, the Bulgarian consulate in Istanbul said. Page 2

## Cold kills in Dhaka

Cold weather hovering over Bangladesh has killed at least 150 people and has prompted demonstrations by villagers.

## Right of passage

China will allow dissident Fang Lizi to leave the US embassy in Peking, where he has been sheltering since June, and travel to Australia before the end of this month, a Hong Kong magazine said.

## Seoul-Moscow talks

South Korean Foreign Minister Choi Hoon said Seoul would start talks soon with the Soviet Union on establishing diplomatic relations.

## IRA kills Protestant

IRA bombers killed a Belfast taxi driver taking his teenage daughter to school and said he had been a Protestant paramilitary extremist.

## Business Summary

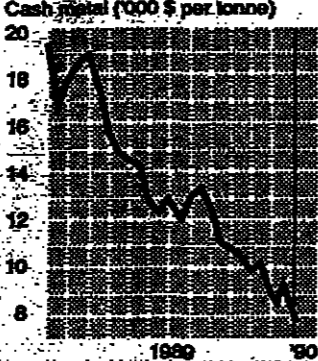
## US stocks hit record in year's first session

Wall Street soared to a new record high and the dollar strengthened significantly against all major currencies, as US investors responded enthusiastically to indicators suggesting that the economy was likely to avoid an imminent recession. The Dow Jones Industrial Average decisively breached the 2,800 mark and closed 59.95 points up at 2,810.15.

NICKEL prices continued to retreat, cash metal shedding \$387.50 to close at \$7,887.50 a ton.

## Nickel

Cash metal (\$100 per tonne)



toime - the lowest level for two years on the London Metal Exchange. Commodities. Page 22

RELI RESOURCES, struggling Australian investment group, made a surprise intervention into a court case to decide the fate of Bond Corporation Holdings, its parent. Page 13

SEODA, the Czech carmaker, has had to halt almost all production at a plant near Prague because it has lost all its workers in a huge prison amnesty. Minister for Labour and Welfare Petr Miller said. Page 2

NEWS Corporation chief executive, Rupert Murdoch, appointed Andrew Knight, former chief executive of the Daily Telegraph group, as executive chairman of News International. Murdoch's main UK subsidiary, Knight will be responsible for the group's five national newspapers from The Times to the Sun, and for Sky Television. Page 13

AEROSPACE Eight international airport design groups have been shortlisted to compete for the lead consultancy contract on Hong Kong's planned HK\$5bn (\$4.4bn) airport. Page 6

BRITAIN'S economy will return to steady growth in 1991 after avoiding recession this year, according to a Financial Times survey of 22 forecasting groups. Page 12

BANK of Boston, largest regional bank in New England, unveiled \$300m of fourth-quarter loan write-offs and the sale of its credit card business to Chase Manhattan. Page 13

ITALY is to abolish some restrictions on domestic foreign currency accounts. Page 12

BRITISH Airways, KLM and Sabena have begun to set in place the management structure of their joint venture, Sabena World Airways. Page 14

TAIWAN is to appoint officials to Belgium, the US and other countries, to boost farm exports and raise competitiveness. Page 5

CAMPBELL, indebted Canadian retail company, rejected a temporary reprieve when Citibank, its lead lender, decided not to call in \$2.3bn worth of loans. Page 16

GLOBAL Equities: The value of international equities in US dollars, measured by the FT Actuaries World Index, rose by some 15 per cent last year. Country-by-country report and quarterly performance pattern over the year, Back page, Section II.

## Czech President endorses hopes for united Germany

By Leslie Collett in Berlin

EUROPE need not fear a united Germany, provided it was democratic, Mr Vaclav Havel, Czechoslovakia's playwright-turned-President, said yesterday.

President Havel made his cautious endorsement of German unity during an historic one-day visit to East and West Germany - his first since becoming head of the new, non-Communist Czechoslovakia.

After a morning visit to the Brandenburg Gate and the Berlin Wall, and before flying to Munich for an afternoon meeting with both Chancellor Helmut Kohl and President Richard von Weizsäcker of West Germany, Mr Havel said:

"We need not fear a peaceful and democratic (German) state no matter how large it is."

"Much of Czechoslovakia borders on East or West Germany. Germany virtually surrounds us. It must free its neighbours of fear, specifically the fear of a Greater Germany," the Czechoslovak President said.

Mr Havel, who headed the opposition Civic Forum until his election last week, significantly cited the two German states for his first foreign visit and not the Soviet Union as Czechoslovak presidents had done since 1948.

Mr Havel said he was "surprised" to find the Berlin Wall still standing. With a characteristic flash of wit he offered the help of Czech workers to help tear down what remained of the structure.

Mr Manfred Gerlach, East Germany's acting head of state, was reported as saying after receiving Mr Havel that the wall was "superfluous" and



Vaclav Havel grasps the hands of exiled Czechs before leaving West Germany yesterday

would indeed be torn down.

Mr Havel said that he hoped that East and West Germany would swiftly agree on the future of the two countries. He said: "This process must be part of a whole European process. It must be worked out by negotiations, not through wild gestures."

Emotions in both East and West Germany needed to be "calmed" and any German confederation integrated in an "All-European process," Mr Havel said. The Germans themselves had to remove the fear of a Greater Germany by embracing democracy.

The Czechoslovak President was accompanied by Mr Marian Calfa, the Prime Minister, and Mr Jiri Dienstbier, the Czechoslovak Foreign Minister. Virtually the entire West German leadership went to Munich to welcome President Havel at the airport: President von Weizsäcker and Chancellor Kohl were joined by Mr Hans-Dietrich Genscher, the Foreign Minister, and Mr Max Streibl, Bavaria's Prime Minister.

The Czechoslovak leader held a joint news conference with President von Weizsäcker, who hailed the visit as the beginning of a new chapter in relations between the two countries. Germans and Czechoslovaks were coming to terms with their past, he noted.

Mr Havel said talks would take place shortly with West Germany on eliminating visas for travel between the two countries and that he had invited President Weizsäcker to visit Prague.

Chancellor Helmut Kohl said after his talks with the Czechoslovak leader that Bonn would support him with all means at its disposal.

Apart from the historic significance of Mr Havel's visit, Czechoslovakia is also anxious not to miss out on the economic benefits of closer links with West Germany.

Bonn expects 350,000 east bloc immigrants, Page 2

## OECD team plans Warsaw visit

By Peter Newman, Economics Correspondent, in London

A TOP TEAM from the Organisation for Economic Co-operation and Development is to go to Warsaw next Monday to explore with the Polish authorities how to help the country adjust its economic structures to a market-based system.

A main goal of the 15-strong mission, the largest ever to be sent on a foreign assignment from the OECD's Paris headquarters, is to assess how best to inject competitive conditions into Poland's economy.

The OECD team will meet senior Polish officials for three days of talks to discover what

institutional changes Poland must introduce to create smoothly functioning markets.

The planned seminar will also take the first steps towards compiling an OECD survey of the Polish economy later this year. Such a survey - to be modelled on the OECD's annual surveys of its 24 industrial member states - has been requested by the Polish Government and several OECD governments, including West Germany.

Late last month the International Monetary Fund agreed an economic stabilisation package to deal with immediate

problems of hyperinflation and the near bankruptcy of the Polish economy.

The OECD mission will initiate the next stage of Western help for Poland by attempting to fill the gaps in both the West's knowledge and that of the Polish authorities on how to manage the unprecedented transformation of a command-based Communist economy to one operating through market signals.

A background paper produced by the OECD to help guide next week's discussions stresses that Poland is pursuing structural reform on a

scale that "is ambitious and without precedent."

It notes that the "OECD does not have, and cannot have, the degree and breadth of knowledge that would truly be required to address all the problems associated with such change" and that its analysis and suggestions "are presented with a significant measure of humility."

It also advocated reform of the banking system as a priority instead of the Polish government's plans for rapid large-scale privatisation.

Poland prepares to bring its economy to market, Page 2

## French agency imposes fines on electrical engineering cartel

By William Dawkins in Paris

SOME of France's best known electrical engineering companies have been fined a total of FF128m (\$22m) for illicitly conspiring to fix prices and cap on members of a single group.

Cegelec, an offshoot of the CGE telecommunications and heavy engineering group, is the next hardest hit with a fine of FF25m. L'Entreprise Industrielle, a Paris-based construction group, received a FF15m fine, followed by Montesson-based Compagnie Générale de Travaux et d'Installations, with FF10m.

The 16 experts who make up the Council found the cartel members had exchanged information on the prices they planned to offer and decided who should tender for around 15 major public contracts between 1983 and 1987.

They included a more than FF100m contract to service railway equipment for the Paris metro authority, the RATP (Regie Autonome des Transports Parisiens), and electrical installations at the Centre Georges Pompidou arts and cultural centre and at the massive Musée National des Sciences et des Techniques de la Ville.

The RATP's head of works even decided that the first bid offered by the cartel members was unrealistically high and asked them to reconsider, as a result of which the contractors simply fixed up an alternative illicit accord, said the Council.

While French competition law is responding to the EC's directives aimed at stopping restrictive practices in public procurement and elsewhere, Council officials denied there had been a recent toughening in policy. Both this inquiry and the construction investigation came as a result of information lodged by the Finance Minister in the previous right wing Government, Mr Edouard Balladur.

"The Council is simply playing its role of ensuring that companies observe the rules of competition," said an official.

der, the heavy electrical and construction group, several of the subsidiaries of which have been fined a total of FF35m, the biggest fine imposed by the cartel on members of a single group.

Cegelec, an offshoot of the CGE telecommunications and heavy engineering group, is the next hardest hit with a fine of FF25m. L'Entreprise Industrielle, a Paris-based construction group, received a FF15m fine, followed by Montesson-based Compagnie Générale de Travaux et d'Installations, with FF10m.

The 16 experts who make up the Council found the cartel members had exchanged information on the prices they planned to offer and decided who should tender for around 15 major public contracts between 1983 and 1987.

They included a more than FF100m contract to service railway equipment for the Paris metro authority, the RATP (Regie Autonome des Transports Parisiens), and electrical installations at the Centre Georges Pompidou arts and cultural centre and at the massive Musée National des Sciences et des Techniques de la Ville.

The RATP's head of works even decided that the first bid offered by the cartel members was unrealistically high and asked them to reconsider, as a result of which the contractors simply fixed up an alternative illicit accord, said the Council.

While French competition law is responding to the EC's directives aimed at stopping restrictive practices in public procurement and elsewhere, Council officials denied there had been a recent toughening in policy. Both this inquiry and the construction investigation came as a result of information lodged by the Finance Minister in the previous right wing Government, Mr Edouard Balladur.

"The Council is simply playing its role of ensuring that companies observe the rules of competition," said an official.

## Argentina acts to prop up austral and curb inflation

By Our Foreign Staff

ARGENTINA is to introduce sweeping measures in an attempt to curb hyperinflation and check a rapid devaluation in the currency.

The measures were announced yesterday by Mr Antonio Erman Gonzalez, the Economy Minister, who has been in office for three weeks.

Mr Gonzalez is facing the collapse of the austral, which depreciated 47 per cent in December. It stood at about 1,950 australs to the dollar before the new year holiday. A year ago, one dollar bought less than 15 australs.

The move follows an unsuccessful attempt last year to curb hyperinflation. December's inflation is likely to exceed last July's record 196.6 per cent.

Mr Gonzalez, a long time political ally of President Carlos Menem, promised that Argentina would stop printing money in excess of the needs for paying salaries or pensions, to bring interest rates down from their current monthly rate of 300 per cent.

The new programme, likely to meet opposition from Mr Menem's trade union supporters, also includes the suspension of the banking system's short-term deposits.

It intends to force companies and investors into selling dollars and buying australs. The move limits to 1m australs (roughly \$430) the amount which investors in fixed term deposits can withdraw in cash.

To raise funds investors will either have to sell dollars or accept repayment at their saving in 10-year dollar denominated government bonds.

This measure is likely to anger small and medium investors. Many investors hold their money with banks on a seven-day basis, the *plazo fijo*, which creates regular chaos as investors weekly hunt for marginally better interest rates as a means of beating inflation.

Interest rates have soared from less than 10 per cent to 300 per cent per month in December, as banks have attempted to attract deposits amid a flight by Argentines away from their own currency into US dollars.

Mr Gonzalez said the new measures were necessary to protect the austral from collapsing to as low as a possible 4,000 australs to the dollar.

President Menem has been in office for just six months. Continued on Page 12

Bleak start to 1990, Page 3

## Vatican must woo taxpayers as well as Catholics

By John Wyles in Rome

A QUIET revolution has this week ended the Italian Roman Catholic Church's 128-year direct dependency on the state. The Vatican will no longer be eligible for a subsidy to pay clerical wages and to build new churches.

If not exactly privatised, the Italian Church must now look to the generosity of the faithful and to lobbying the taxpayer if it is to maintain its activities and balance its books.

The prospect has caused the quickening of many a clerical pulse since the change was agreed in the revised concordat between the Italian state and the Vatican signed at the beginning of 1984. The intervening period has been employed in a top-to-bottom overhaul of the Italian Church's management of its physical assets and in introducing a new salary system for its 42,000 clergy.

Last year the Church launched a vigorous advertising campaign to acquaint both the priesthood and the laity with the change in financing which was presented as something of a return to its early participatory Christian roots. Jesus and his disciples were dependent "above all on the generosity of their followers and sympathisers," intoned a pamphlet distributed to all parishes in October.

Since 1866, Italian Roman Catholics have been firmly tied to the Government's purse strings by a system known as the *congrua*. This wage subsidy effectively established priests and bishops as public employees, drawing in 1984 an average of L840,000 (\$862) a month. Last year's final *congrua* cost the Treasury L888bn.

The new system bases Church financing entirely on donations and a sort of taxpayers' plebiscite. During the negotiations, the Italian bishops reached out for some of the incentives that the modern state can offer and secured an agreement that cash donations to the Church of up to 1.2m a year will be tax deductible, offering savings for the highest income brackets of L800,000.

As prudent men, they knew however, that the Church would be unlikely to be able to cover its expenses just by counting on the faithful. A second, and more vital, concession wrung from the state was

Continued on Page 12

BRACKNELL £7.65 sq. ft.*	READING £7.35 sq. ft.*
HARLOW £6.10 sq. ft.*	CROYDON £6.45 sq. ft.*
HIGH WYCOMBE £7.05 sq. ft.*	MILTON KEYNES £5.60 sq. ft.*

MID WALES £3.00 sq. ft.

## INCREASE YOUR PROFITS IN ONE BEAUTIFUL MOVE.

By cutting your business overheads you could take money out of someone else's pocket and put it right back into yours. Mid Wales gives you the chance to do exactly that and improve your environment into the bargain. High specification brand-new manufacturing units, cost from just £3 per square foot in mid Wales. Including rent and rates.

For details about the rural Wales solution to high overheads, send us the Freepost coupon or phone us free on 0800 269300 now!

\*Rent and rates (Debenham Tewson &amp; Chinnocks 1989)

## DEVELOPMENT BOARD FOR RURAL WALES

Please send me your information pack. I am interested in:

<input type="checkbox"/> 750-1,500 sq.ft. factories	<input type="checkbox"/> 5-10,000 sq.ft. factories
<input type="checkbox"/> 3-5,000 sq.ft. factories	<input type="checkbox"/> 10,000 + sq.ft. factories

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

POSTCODE \_\_\_\_\_

TEL: \_\_\_\_\_

Send to Dept. D877, Development Board for Rural Wales, Freeport, Newtown, Mid Wales SY16 1JB. (No stamp required). Or telephone us FREE on 0800 269300 now!

**Rural Wales**  
The New Country

## MARKETS

<b>STERLING</b> New York close: \$1.6095 (1.6105) London: \$1.612 (1.6125) DM12.75 (1.2725) FF6.5875 (6.59) SF2.5325 (2.4875) Y25.75 (25.75) £ index 88.8 (88.0)	<b>DOLLAR</b> New York close: DM1.713 (1.692) FF6.8825 (6.7805) SF1.5915 (1.5425) Y146.50 (143.95) DM1.7065 (1.6915) FF6.83 (6.795) SF1.5715 (1.5425) Y146.20 (143.80) £ index 87.9 (87.3)	<b>STOCK INDICES</b> FT-SE 100: 2,434.1 (+11.4) FT Ordinary: 1,934.1 (+17.5) FT-A All-Share: 1,210.92 (+0.5%) DJ Ind. Av. 2,810.15 (+58.95) S&P Comp. 354.87 (+1.47) Tokyo: closed
<b>GOLD</b> New York: Comex Feb \$402.1 (+0.51) London: \$401 (same)	<b>RATES</b> Fed Funds 6 1/2 % 3-mo Treasury Bill: yield: 7.95% Long Bond: 101.3 yield: 7.97%	<b>LONDON MONEY</b> 3-month interbank: 15 1/4 % (15 1/4 %) Libor long gdn future: Mar 92 1/2 (92 1/2)

Chief price changes yesterday: Page 13

MARKET REPORTS: CURRENCIES, Page 30, BONDS Page 18  
COMMODITIES, Page 22, EQUITIES Pages 23 (London), 31 (World)



## AMERICAN NEWS

# Argentina enters 1990 with cycle of hyper-inflation

By Our Foreign Staff in Buenos Aires

THE Argentine economy is entering 1990 in a new cycle of hyper-inflation. In an effort to calm nerves, Mr Antonio Erman Gonzalez, the Economy Minister, announced a new package of measures aimed at checking the austral currency's decline against the dollar, which led to precipitous price rises and consumer shortages over the new year weekend. Yesterday was declared a banking holiday.

The Minister's plan surprised analysts with its measures intended to force companies and investors into selling dollars and buying australs.

His tactic is to limit to australs 1m (\$430) the amount which investors in fixed term deposits can withdraw in cash, while at the same time promising strict collection of taxes and other debts to the state, which have hitherto been largely ignored.

The theory goes that, in order to raise funds to meet such obligations to the state, investors will either have to sell dollars or accept repayment as their saving in govern-

ment External Bonds.

The former method would facilitate the austral, while the latter would avoid the need to print money to meet interest payments. Either way, the strategy is to check inflation which in December reached almost 100 per cent.

Mr Gonzalez' announcement came after merchants throughout the country were marking up prices over the three day new year week end.

The chaotic prices and widespread shortages of food, pharmaceutical products and petrol were prompted by rumours that the government was planning to devalue the austral from its rate of 1,000 per dollar on Friday to 4,000 per dollar yesterday.

This was seen to be part of a programme to "dollarise" the economy, and hence achieve stability by linking the currency to the dollar.

The rumour has been gathering strength throughout last week and press reports indicate that a dollarisation plan had been drawn up by Economy Ministry officials, but

failed to win political support in the cabinet.

When Argentina's president Carlos Menem took office, five months ahead of schedule on July 8, the country was in the grip of hyper-inflation which in that month reached nearly 200 per cent.

The new administration announced a strategy to tackle the crisis on two fronts. First, a long term programme of state reforms, based on selling off inefficient and bankrupt state firms, eliminating widespread tax evasion and cutting state spending.

In the shorter term, the government undertook a stabilisation programme based on a wage and price freeze and a fixed exchange rate.

For the first three to four months, this formula held and brought inflation down to a low of five per cent in October.

However, wage pressure from a trade union movement disillusioned with president Menem's non traditional, capitalist brand of Peronism struck at the heart of the stabilisation programme late last year.

## Cocaine seized from Colombian ship's hull

COCAINE worth \$4.2m was stashed in two waterproof tubes attached to the outside of a Colombian ship's hull, according to police who seized the drug and arrested four men in diving gear, AP reports from Jacksonville, Florida.

Four Colombians in diving suits appeared at a nearby boat ramp apparently to retrieve the 265 pound (120kg) cache, and were arrested on drug trafficking charges.

### Military cargo arrives

American soldiers yesterday began removing about 1,000 pieces of military hardware sent by ship from the US for use in forthcoming exercises in Germany.

US General John Galvin, the top military commander in Europe for the North Atlantic Treaty Organisation, reiterated that the allies still needed to maintain a strong defence despite the easing of East-West tensions.

### Smoke in cockpit

An American Airlines DC-10 made an emergency landing at Baltimore-Washington Airport yesterday after the pilot reported smoke in the cockpit, officials said. Nine passengers were injured in the evacuation.

### Garcia resigns

Congressman Robert Garcia, awaiting sentencing this month on his extortion conviction in the Wedtech scandal, announced yesterday that he was resigning his seat in Congress.

Garcia, 56, and his wife, Jane Lee Garcia, 43, were convicted last October of extorting \$178,500 in cash, loans and jewellery from Wedtech, a now-defunct defence contractor. They could face up to 45 years in prison and \$750,000 in fines.

### US designer dies

Patrick Kelly, the only American ever to be a member of France's powerful Chambre Syndicale of Ready-to-Wear and Couture, the French professional fashion organisation, has died, his company announced yesterday.

## Pain and gain from adjustment

Canute James examines Guyana's problematical economy



### CARIBBEAN structural adjustment

Loans at the rate agreed, said Guyana was ineligible for further financial assistance.

In reversing its policy and mending fences with the fund, the government was aware of the likely social and political consequences, but had reached the stage a year ago where it could see no viable alternative.

Mr Hoyte admitted he expected some degree of industrial unrest because of the structural adjustment measures, but that the economy could not recover "without some pain."

At the heart of the measures was a 70 per cent currency devaluation, which took the Guyana dollar to 33 to the US dollar. This was still below the rate of G\$55 to the dollar on the busy parallel market, but the devaluation was accompanied by an increase in interest rates, with the bank rate set at 35 per cent. The intention was to reduce liquidity by soaking up money which was fueling the parallel market.

With money more expensive, and an overnight increase in prices of between 200 per cent and 300 per cent, currency traders

based on sugar and rice production, and on bauxite mining, has been declining for the past eight years, and contracted by 3 per cent last year.

Efforts to improve productivity and production in the main sectors have been unsuccessful, and export earnings have been far below levels needed to finance imports and service the foreign debt of \$1.7bn, of which \$1.2bn represents arrears.

The late President Forbes Burnham rejected conditions which would have been part of an IMF credit package in the early 1980s, thinking the social and political cost too high.

The deterioration in the economy continued as the government of President Desmond Hoyte, who succeeded Burnham, failed to raise new funds from foreign creditors. Commercial and bilateral lenders refused to consider refinancing suggestions until an IMF pact were agreed, and the government found it increasingly difficult to finance its outstanding debts. Clearing the arrears would have demanded about six times last year's total foreign earnings. The IMF, which was not being repaid for earlier



Hoyte: Unrest expected found fewer clients.

The economic dislocation suffered by Guyanese resulted in the strikes, which crippled the bauxite and sugar sectors, threatening to abort any early benefits which the government was expecting from the structural adjustment programme.

Performance targets agreed with the IMF were endangered as the government's offer of a 20 per cent wage increase failed to placate unions and workers.

"The programme aims at nothing less than the radical adjustment of Guyana's economy and the lifting of its productive capacity," said Mr Greenidge. It aims to establish the basis for real economic growth, improve the fiscal accounts through deficit reduction, to improve exports and reduce the balance of payments deficit.

The targets include 4 per cent GDP growth a year.

curbed inflation (which will be difficult this year because of the price increases), incorporation of the parallel market to the official economy, and elimination of arrears on foreign obligations.

There are already signs that foreign creditors are becoming less reluctant since the agreement with the fund. The government has been negotiating with the Paris Club of creditors and has organised financial support from a group of donor countries.

Even so, Guyana is discovering that mere willingness to swallow the medicine is not enough. Six months after implementing the programme, Mr Greenidge said, the country had not received the bilateral support which it had been led to expect. There had been little response from the group of countries which had pledged support, he said.

The programme was intended to deliver US\$220m in 1989, but \$180m of this was for clearing arrears, the minister said. "Of the remainder, \$36m was earmarked for current payments to multilateral institutions. We have got no cash from the IMF or the World Bank." All discussions on likely alternatives have concluded that the government, by delaying, had painted itself into a corner. "The Guyana economy cannot, by any stretch of the imagination, be characterised as in balance," said Mr Greenidge.

This is the last article in a series on structural adjustment in the Caribbean. Previous articles appeared on October 5 and 13, and November 9.

## Comeback for US machine tools

By Nancy Dunne in Washington

THE US machine tool industry has been slowly recovering since the Reagan Administration in 1987 instituted "voluntary" import quotas, forcing US manufacturers were becoming too reliant on foreign producers.

The five-year Voluntary Restraint Agreements (VRAs) have given US-owned companies time to recover from four years' losses, while encouraging Japanese companies to transplant manufacturing to the US. Mr Jim Mack, for the National Machine Tool Builders Association, said.

The VRAs were established with Japan and Taiwan, but the US strengthened protection by warning other countries that more imports would act against.

So far, the tactic has blocked surges. Imports have been cut in four key areas - machining centres, lathes, punching machines and milling machines.

While foreign toolmakers

have been forced to curb their exports, they have adjusted by moving production to the US or expanding facilities there. One Japanese subsidiary, Mazak, recently doubled investment in its US plant, and in December became the first US subsidiary of a Japanese machine toolmaker to announce plans for a US research and development facility.

"We not happy with VRAs," said Mr Teruyuki Yamazaki, chairman of Yamazaki Mazak Corporation. "But, we have not been much harmed."

Mazak opened its first US office in 1968 and began building a plant in Kentucky six years later. VRAs have forced the company to locate more of its production in the US, but it has benefited from a US presence.

It has found US workers more "enthusiastic" than their Japanese counterparts, but they expect higher pay. Now nearer to its customers, it has

a better understanding of the market, and is eligible for US defence orders.

It is by no means clear that the five years of protection will suffice to save US machine-tool companies. The industry still suffers from high-cost capital, scarce export financing, and strict export controls. It has improved its products, but a survey by the Society of Manufacturing Engineers found that US manufacturers continue to rate foreign-built machine tools more highly.

"The US producers have gained market share," said Mr Mack, "but there is still strong price competition so that profit levels are not where they should be." He would not rule out asking for VRAs to be extended. The curbs were imposed to ensure continuation of an indigenous machine-tool industry. "The ownership is less important than where it is located, as long as it is real manufacturing capability, not a screwdriver plant."



### The first 'no-hassle' trailer damage indemnity package

This new damage indemnity package gives you more protection in the event of accidental damage or total loss of your rented trailer.

Under TRAILER CARE the customer's obligation as per the standard terms and conditions to return the trailer in the same good condition as when rented is waived.

TRAILER CARE substantially reduces the time-consuming burden of claims processing. Eliminates costly repair charges.

It isn't just equipment that suffers wear and tear. If your company has been losing time and money with complicated or incomplete claims, find out more about CTR's new TRAILER CARE. These two new indemnity plans take care of everything you need. They're simple to use. Quick to process and because they are designed to cover many aspects of trailer damage indemnity, they are the first truly "no-hassle" indemnity plans... a big advantage for your company, your admin people and all your drivers.

#### TRAILER CARE COLLISION DAMAGE WAIVER

Whether you have your own insurance or have taken CTR's Damage Protection Plan, CDW will cover all damage costs up to \$250 as noted at off hire and eliminate claims processing and all minor accidental damage charges.

##### Advantages:

- No hidden costs of administration at off hire
- Totally predictable rental costs
- No claims processing
- Can be taken in conjunction with any insurance
- Cover up to \$250 damage
- Covers any rental period and all trailer types (including reefers)
- Trailers covered whilst detached from tractor unit.

CDW TARIFF £150 PER TRAILER PER DAY\*

#### TRAILER CARE DAMAGE PROTECTION PLAN

DPP gives you unlimited worldwide cover from £250 in the event of accidental damage, or total loss, however caused.

##### Advantages:

- Worldwide cover for: • Accidental damage or total loss, however caused
- Trailers whilst detached from tractor unit
- Salvage and recovery
- Marine risks
- Strikes, riots, civil commotion, malicious damage, war risks (as per D.T.V. clauses 1984)
- All trailer types for any rental period
- Protects customer's own insurance policy

EXCESS COVER One excess of £250 per trailer covers all damages, if repaired at the same time.

DPP TARIFF 12.5% OF THE RENTAL RATE\*

PLEASE NOTE: Types are covered only if they are damaged as a direct result of an accident. Trailer Care covers damage to trailers rented from Central Trailer Rental Limited only and is subject to Central Trailer Rental Limited's Standard Terms and Conditions. Trailer Care does not cover third party liability or loss or public liability.

For further information and a Trailer Care brochure write to or call: Central Trailer Rental Limited, Hayes Gate House, 27 Uxbridge Road, Hayes, Middlesex UB4 0JN. Telephone: (01) 561 0078. Fax: (01) 848 9170. Telex: 262251.

SETTING THE PACE IN TRAILER RENTAL

Tiphook & Co

National Westminster Bank PLC announces the creation of

## NATIONAL WESTMINSTER LEASING AND ASSET FINANCE

As from 1st January 1990, the Bank's Leasing Unit will merge with the Corporate Finance Department of Lombard North Central PLC.

The move brings together the Group's expertise

- in structuring and financing for major capital assets
- in both international and domestic markets
- to enable the Bank to offer a pre-eminent service to the Corporate and Institutional sector

National Westminster Leasing and Asset Finance will be based at

National Westminster Tower, 25 Old Broad Street, London EC2N 1HQ. Telephone: 01-920 5555

Enquiries should be addressed to:

Piers Bull - Director

Philip Davy - Senior Executive UK Business

Bob Pashley - Senior Executive International Business



National Westminster Bank PLC

## OVERSEAS NEWS

## Weizman compromise leaves Shamir hard line intact

By Hugh Carnegie in Jerusalem

A POLITICAL crisis that briefly threatened to topple Israel's fractious coalition Government dissolved yesterday when the Likud and Labour parties reached a compromise in their row over a Labour minister's contacts with the Palestine Liberation Organisation.

The row erupted on Sunday when Mr Yitzhak Shamir, the hardline Likud Prime Minister, sacked Mr Ezer Weizman, the Labour Science Minister who freely acknowledged having held indirect discussions with the PLO, contrary to official government policy.

Yesterday morning, Mr Shamir instead accepted Mr Weizman's resignation from the inner cabinet, the top ministerial echelon, and an understanding to cease contacts with the PLO, allowing the Labour Party to back down from its threat to leave the coalition if the Prime Minister did not withdraw Mr Weizman's dismissal.

Mr Weizman, a former Likud Defence Minister but now one of Labour's foremost "doves", keeps his portfolio and remains in the Government as a junior minister. But Mr Shamir's aides insisted that the outcome strongly favoured the Prime Minister and Likud.

They said Mr Shamir had

succeeded in his main purpose of ending what they called "anarchy" within the Government in which Mr Weizman had clearly defied Government policy by talking to the PLO. More significantly, Mr Shamir had sent a clear message that he would not bend in his refusal to negotiate in any form with the PLO.

This was timely because Mr Shamir is under some pressure from the US and Labour to accept a US formula for Israel-Palestinian peace talks to be held under Egyptian auspices which Likud suspects would amount to thinly-veiled negotiations with the PLO.

The Weizman incident had clarified Mr Shamir's position "not necessarily to the US, but to Egypt, the PLO and some elements in this country," said Mr Yossi Ahimeir, head of the premier's private office, who acknowledged that Israel had yet to receive a satisfactory response from Washington on its request for assurances that the US plan would not involve the PLO.

Mr Shamir's camp was also pleased that he had not had to sacrifice the coalition to make his point and, not for the first time, had been seen to have called Labour's bluff. "It is clear who is the king in this kingdom," said Mr Ahimeir.

The key figure in arranging the compromise was Mr Yitzhak Rabin, the Labour Defence Minister, who again asserted his role as the party's chief playmaker in the Government to the evident discomfort of Mr Shimon Peres, the Finance Minister and party leader.

Mr Rabin, determined that Labour should stay in harness with Likud as long as there is any prospect of progress in the peace process, apparently made it clear to the rest of the party that his supporters would not back Mr Weizman. They feared Labour would be portrayed as supporting negotiations with the PLO which is not party policy - although many Labour members do support such a step.

Mr Rabin suggested the resignation option to Mr Weizman instead. "I won't say he wasn't advised, but in the end it was his decision and I bless him for it," Mr Rabin said.

Mr Peres, aware that his already weak electoral position would be much worse without the backing of the popular Mr Rabin, was left saying merely that he had agreed to the compromise.

Editorial Comment, Page 10



Ezer Weizman speaking with reporters yesterday after his meeting with Mr Shamir

## Salvage company assails Morocco and Spain over oil spill

By John Hunt, Environment Correspondent

A DUTCH salvage company said yesterday that refusals by Spain and Morocco to allow the leaking Iranian supertanker, Kharg-5, into sheltered waters for repairs had worsened the oil spill off the Moroccan coast.

The Kharg-5 was crippled by a series of explosions on December 19 when it was 400 miles north of the Canary Islands. Last night the salvage company, Smit Tak, had three tugs towing the vessel 100 miles off Morocco.

A spokesman for the company, Mr Des Kaakebeek, said that the fire on the ship had been put out by December 21 but permission had been refused for it to be towed in for emergency repairs. As a result it had to be kept out in high seas which delayed repairs and prolonged the leakage of oil, he said.

Last night, in gale force winds and high seas, the tanker was being taken to a rendezvous south of the Cape Verde Islands where the remainder of the oil will be transferred to another tanker. Mr Kaakebeek said that it had not been leaking oil for 24 hours.

The London-based International Tanker Owners' Pollution Federation (ITOPF) said yesterday that according to its own survey the sea in the area of serious pollution of the Moroccan coastline was receding.

Dr Ian White, managing director of the federation, said that one of his colleagues, Dr Brian Dicks, had flown over the area off the Moroccan coast for four hours.

He reported that there was no significant oil pollution within 60 miles of the coastline and that the oil further out was patchy and breaking up due to high seas.

But Mr Brice Lalonde, the

French Environment Minister, who is also on the scene, said that the danger remained that high winds could push the 185-mile oil slick ashore.

"If the wind pushes the slick, it could reach the coast in two or three days," he said. The beaches, while confirming that the leak in the tanker had been stemmed, attacked what it termed the "imperialist media" for exaggerating the extent of the oil spill and its likely damage to the environment.

An international team of specialists has been in Morocco since the weekend to advise the Government on methods of preventing the oil reaching the shore where it could threaten oyster beds, fishing stocks, resort beaches and a pink flamingo breeding ground.

They had responded to a government appeal which had said that unless the threat was averted there could be an environmental catastrophe of "major dimensions". Two experts from the Oil Spillage Response Centre in Southampton, which is supported by the major oil companies, have also flown to Morocco with 1,000 yards of boom cable to protect oyster beds at Oualidia.

Dr Ian White said earlier that heavy seas in the area in the early stages of the operation had prevented a boom being put out and the oil being skimmed off. As the oil had now thinned out and broken up, the priority was to put booms around the most sensitive part of the coast.

It is believed that more than 70,000 tonnes of oil have been increasingly polluting the area. This is far larger than the leakage from the Exxon Valdez which ran aground in Prince William Sound, Alaska, last March.

## Move reinforces Palestinian pessimism about peace process

By Lamis Andoni in Amman

THE DECISION by Mr Yitzhak Shamir, the Israeli Prime Minister, to demote Mr Ezer Weizman, the Labour Minister, has reinforced Palestinian pessimism about the peace process.

Above all it has confirmed PLO suspicions that Mr Shamir does not want an Israeli-Palestinian dialogue to take place. "Shamir is backing down from the idea," says one senior PLO official. "He is actually trying to obstruct such a dialogue."

PLO officials argue that Mr Shamir realises it will be virtually impossible to organise the planned Palestinian-

Israeli dialogue in Cairo without the PLO. The Israeli Prime Minister, they say, has therefore decided to prevent high-level Israeli contacts with the organisation.

According to a five-point plan put forward by Mr James Baker, US Secretary of State, the foreign ministers of Israel, Egypt and the US are supposed to meet this month to organise the Cairo dialogue.

There now seems to be a stalemate for while Israel refuses any PLO involvement in the dialogue - which it prefers to be confined to Palestinians from the occupied West Bank and Gaza Strip - the PLO insists on

publicly naming the Palestinian delegation. In the eyes of the PLO, however, the US bears much of the blame for impeding the peace process.

"The US attitude in insisting on an indirect and invisible role for the PLO in the dialogue is encouraging Shamir to persist in refusing to deal with the PLO," says Mr Abdullah Hourani, a PLO Executive Committee member. PLO officials say that the US has backtracked on maintaining a direct US-PLO negotiation channel via the US ambassador in Tunis by forcing the organisation to direct its diplomatic efforts through the Egyptian Government.

The apparent shift in the American attitude has dampened Palestinian expectations that the US-PLO dialogue, which started in December 1988, would lead to official US recognition of the PLO as the legitimate representative of the Palestinian people.

According to PLO officials, the real dialogue with the US has been stopped since August last year when the fourth round of talks in Tunis took place with Mr Robert Pelletreau, the US ambassador. Mr Pelletreau's role, they say, has been reduced to that of a messenger.

"At the beginning Pelletreau had some negotiating power but this limited authority has been diminishing," says one PLO official. PLO leaders say Washington demanded that their reply to Mr Baker's proposals should be conveyed through Cairo, and when they tried to deliver their reply to Mr Pelletreau it was dismissed by the US as unofficial.

"I do not get it," says Mr Yassir Arafat, the PLO leader. "After one year of dialogue, the US is still ignoring the organisation's role and is looking for the representatives of the Palestinian people. With whom have they been talking? With ghosts?"

## Delhi draws up fiscal and trade policies

By K.K. Sharma in New Delhi

THE Indian Government is to come up with a three-year foreign trade policy to be announced on April 1 and a new long-term fiscal policy to be presented to parliament in the next few months.

These moves are part of a 35-point "action plan" for this year to give speedy effect to the election manifesto of the National Front coalition that took power after November's general elections.

The decision on new foreign trade and fiscal policies bears the stamp of Mr V.P. Singh, the Prime Minister. He introduced similar measures when he was Commerce Minister in the late Mrs Indira Gandhi's Cabinet and Finance Minister in Mr Rajiv Gandhi's Government.

Foreign trade policy was due to be reviewed in April, 1991, and it is expected that the new policy will retain much of the liberalisation from controls that were introduced four years ago by Mr Singh.

However, it is likely that curbs on certain imports will be introduced to help deal with the current foreign exchange shortage. Such import cuts were recently recommended by the country's economic advisory council and are being considered by the Finance and Commerce Ministers.

The fiscal policy is expected to provide for a continuity of direct and indirect tax laws and rates that will be announced when the first budget of the new Government is announced in the next few months. An interim budget is to be presented to parliament next month.

The Government's statement on the "action plan" reiterates its decision to allocate 50 per cent of resources available for investment to agriculture and the rural sectors to fulfil the National Front's election pledges. This is to be done as early as the financial year beginning next April 1.

Priority is also being given to cancel farm loans of up to Rs10,000 (\$375) despite the large amount this involves and the criticism this proposal has raised among some economists on the ground that it will add substantially to the existing large budgetary deficit.

To benefit farmers, the statement also promises a new formula for prices for agricultural products that will take inflation into account. Farm labour is to get higher wages.

Other points in the "action plan" include legislation to introduce a fundamental right to work. This will be accompanied by an employment guarantee scheme.

Discussions are to be held with chief ministers of the states on such issues as autonomy at district level, communal violence, electoral reforms and workers' participation in management.

## Burma begins countdown to elections

Chit Tun reports on how over 100 parties will contest the first free poll in 30 years

WITH just four months to go before Burma's first multi-party elections in 30 years, six sizeable parties have emerged to challenge for power and more than 100 others intend to field candidates.

At least 200 political parties were formed in the wake of last year's pro-democracy demonstrations but nearly half of them have since disbanded or are unable or unwilling to contest a minimum of three seats as required under the electoral law for registration as a party.

The National Unity Party (NUP), which is the former Burma Socialist Programme Party (BSPP) with a new name, is fighting 450 of the 491 seats. Believed to be the best organised and financially sound, the NUP will test the military government's claim that last year's anti-BSPP and



Aung San Suu Kyi: detained

pro-democracy protests were more a creation of underground Communist agents and right-wing dissidents than a spontaneous outburst of popular discontent.

The other five main parties are the Democracy Party, the League for Democracy and Peace under the leadership of former Prime Minister U Nu (placed under house arrest last week), the Union National Democracy Party of the retired military officer, General Aung Gyi, the National League for Democracy of retired General Tin U and pro-democracy campaigner, Aung San Sun Kyi (both under house arrest since last July), and the Coalition League of Democratic Parties.

For the remaining 112 parties which intend to field candidates, the object of the exercise is simply to take part in the revival of political life.

Among the relatively small parties are 32 representing ethnic minorities such as the Karens, Kachins, Shans, Chins

## Lukman move seen as a loss for Opec

THE often-fraught councils of the Organisation of Petroleum Exporting Countries will lose a key mediator with the surprise exit of its president, Mr Lukman of Nigeria, Reuter reports.

An unexpected Lagos cabinet reshuffle last week moved Mr Lukman, 51, from energy to foreign affairs. Opec officials assume he will give up the post in 1990.

"What a pity for Opec," said a delegate of a Gulf Arab country. Mr Lukman chaired the organisation for an unprecedented six half-year terms, having first been elected president of the 13-nation group in June 1984.

The period, Mr Lukman himself says, was "our darkest hour". He took over during the

worst of the 1980s' oil glut when prices had crashed from \$40 to \$10 a barrel. Also in 1986, King Fahd sacked Sheikh Ahmed Zaki Yamani, As Saudi Arabia's oil minister, Sheikh Yamani had dominated Opec.

In Mr Lukman, however, Opec found the kind of chairman that most international organisations only dream of as it struggled to get 13 fractious members to abide by production quotas necessary to ease the oil glut and restore prices.

Helped by better, if not yet total, Opec discipline, rebounding worldwide demand and a cold US winter, prices are back to around \$20 a barrel.

A British-trained engineer from Moslem northern Nigeria, Mr Lukman brought tact, impeccable manners and a

shrewd committee man's political feel to Opec, blended with total authority.

A senior delegate said: "An Opec president needs to have a firm hand. But it is impossible to have a firm hand when all the 13 ministers are equal and you are one of them. Lukman somehow managed it. He has a very strong personality."

He teamed up with another resourceful Opec mediator, the aristocratic Mr Subroto of Indonesia formerly his nation's oil minister and now secretary-general, the top permanent official.

Achievements under Mr Lukman included a series of quota accords that eased the oil glut despite rampant cheating and despite Iraq, Kuwait and the United Arab Emirates

opting out at various times on the grounds that their quotas were unfair.

With all but the UAE now back in the system and demand for oil recovering, Opec sources said Mr Lukman's departure would not be the blow it might have been a year ago.

In the post-Yamani era and particularly since the end of the Gulf war, there has been a change in Opec away from the confrontational and politically-charged mood of its heyday. Several ministers now are petroleum engineers rather than politicians. "When a problem arises they are more likely to get out their calculators, than make speeches," an aide said.

## Amnesty fears Israel condoned killings

AMNESTY International says it fears the Israeli Government has condoned and even encouraged the illegal killing of Palestinians by its forces to help control unrest in the occupied territories, AP reports.

The London-based human rights organisation said the guidelines for the use of firearms by Israeli forces might permit unjustifiable killings of unarmed Palestinians, and claimed abuses were not adequately investigated.

"We are concerned that taken together these factors appear to add up to more than just tolerance of serious abuses and amount to real encouragement of them," Amnesty International said in its January newsletter published today.

The Israeli Embassy in London called the allegations "groundless and unsubstantiated".

## Korean Soviet plans

Mr Choi Ho Joong, the South Korean Foreign Minister, said yesterday Seoul would start talks soon with the Soviet Union on establishing formal diplomatic relations, state radio reported, AP writes.

## Cold killer in India

The poor and homeless in India and Bangladesh are dying of cold, Reuter reports from Dhaka. Over the past several weeks at least 100 people have died in northern India where temperatures have dropped as low as 1.14 degrees Celsius, the Press Trust of India reported.

At least 98 more died in northern and central Bangladesh where poor villagers have been marching through the streets demanding free warm clothes from the Government.

## Turkey's stranglehold on the Euphrates irks its neighbours

Ankara's announcement that it will halt the river for a month has angered Syria and Iraq, reports Jim Bodgener

OMINOUS disquiet pervades Turkey's relations with Syria and Iraq, its southern neighbours downstream on the Euphrates. Never easy at the best of times, the atmosphere has been strained following Turkey's announcement on November 20 that the river would be staunch for a month from January 13 to fill the giant Ataturk dam.

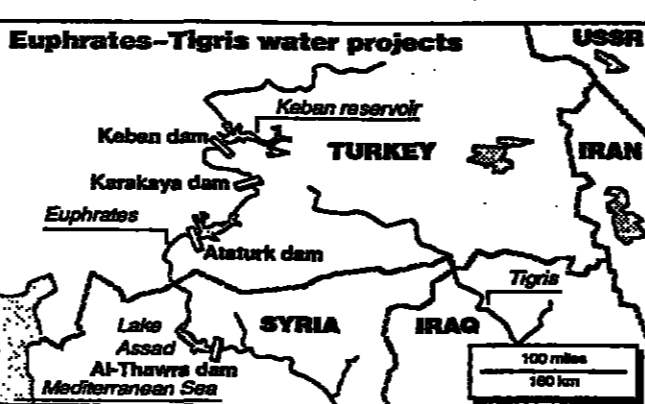
Iraq and Syria still do not agree to the plunging of the river, despite Turkey's detailed presentation to a joint technical committee on the Euphrates at the end of November. Visits by the deputy foreign ministers of both neighbours have failed to solve the impasse.

Only Iraq has reacted publicly, calling for a shortening of the period to a fortnight on the grounds that Iraqi agriculture was badly damaged. There has been no response from

Damascus yet to a Turkish offer of electricity supplies to make up any shortfalls in generation by Syria's Tabaqah dam; nor to accompanying offers of co-operation in exploiting Syria's reportedly large natural gas reserves.

Syrian-Turkish relations had already been chafed by the shooting down of a Turkish survey aircraft inside Turkey's Hatay province by Syrian MiGs in October. Syria was quick to apologise and has agreed in principle to meet Turkey's demands of about \$14.5m in compensation, according to Turkish officials.

The Turkish government has put Syria and Iraq under heavy pressure in recent months to curb infiltration from their territories of guerrillas of the Marxist, separatist Kurdish Workers' Party (PKK) into south-eastern Turkey. Joint military talks in Iraq on border



security followed a massacre by guerrillas on November 24 of 26 inhabitants of a remote village on the Iraqi border. Some in the Turkish press called for an Israeli-style raid on alleged PKK camps in the Syrian-controlled Bekaa valley.

The Turkish-Syrian border was agreed at the same time in 1987 as a border security understanding was reached in a protocol during a prime ministerial visit to Damascus.

Foreign ministry officials deny any linkage between the issues and after informing the Syrians of the decision to suspend the flow of the Euphrates, increased the flow of the river to 750 cubic metres a second to allow them to store the water in their own reservoirs. Because of a higher than usual winter rainfall, the flow has averaged around 750 cubic metres a second, rising at times above 1,000 cubic metres a second.

The Euphrates is only expected to dry up for a short stretch below the Ataturk dam; at the Syrian border, the flow will be about 120 cubic metres a second from tributaries downstream of the dam.

About four weeks are needed for the construction of a concrete plug in a diversion tunnel under Ataturk dam and for the water level to rise by about 10 metres to gates built into the upstream wall of the dam.

Syrian and Iraqi apprehensions are all the more acute because of widespread drought throughout the region this year - Turkey had the driest summer for half a century. Syria is most at risk, since Iraq also has the Tigris. But even Iraq will need to store water behind its Qadisiya dam and will release water from the al-Habaniya reservoir 60km north of Baghdad to compensate Iraqi farmers for low river levels.

It may also divert water for the first time through the massive al-Thawra canal between the Tigris and the Euphrates. The 1987 commitment has been the strongest formal

agreement reached on regional water management since World War II. Turkish officials stress that it relates only to water crossing the Syrian-Turkish border. What happens thereafter is between Damascus and Baghdad.

Iraq's main concern may be that Syria will store most of the remaining Euphrates flow in the Tabaqah dam, releasing only a trickle to Iraq.

Turkish officials are anxious to emphasise their country's goodwill in regional water management. The commitment made in 1987 actually dated back to 1976, when the Karakaya dam was impounded and the international banks funding the project put considerable pressure on Turkey to reach an agreement. When the agreement came up for renewal in 1987, Turkey was under no such obligation or pressure.

## WORLD TRADE NEWS

## Eight vie for HK airport contract

By John Elliott in Hong Kong

EIGHT international airport design groups, including five from the US, have been short-listed from over 50 applicants to compete for the lead consultancy contract on Hong Kong's planned HK\$3.5bn (\$4.6bn) airport, to be built in the mid-1990s.

The work involves planning the layout of the airport in partially reclaimed land at Chek Lap Kok off Lantau Island, plus all the project's civil engineering design.

An assessment of the controversial environmental impact of the project will be included.

The short list includes Bechtel of the US, working in association with the UK-based Halcrow Asia Partnership, and RMP Encon of the US, one of the front runners because it carried out an initial study into the project eight years ago.

Another leading competitor, Netherlands Airports Consultants, has specialist reclamation experience. The consultants also carried out a Hong Kong Government study last year on the proposed airport's main alternative site.

The other contestants are:

Greiner, Tams Consultants, and Austin, all from the US; Aéroports de Paris, of France; and Japan Airport Consultants.

Among those who failed to reach the short list is British Airport Services.

The eight groups have been asked to submit detailed planning proposals for the two-runway airport, plus tenders for their fees, by the end of next month.

The 16-month contract is expected to be placed a few weeks later, in order that work can start in June.

The main civil engineering and other contracts are not expected to be placed till 1991-92.

But tenders for a preliminary large contract will be invited later this year to establish a big works area off Lantau island, followed a few months later by tenders for substantial sea wall and reclamation contracts.

The airport forms part of a programme of infrastructure projects costing over HK\$130bn which Hong Kong plans to carry out in the next 15 years.

## Algerian telecom contract for Ericsson

ERICSSON, the leading Swedish telecommunications group, has won a SK220m (\$36m) contract to supply Azel equipment for local exchanges and operator-assisted services to the Algerian Ministry of Post and Telecommunications writes our World Trade staff.

The project, financed by credits from the Agency for International Technical and Economic Co-operation, is part of the extension of the Algerian telecom network.

## Taisho forges UK link

Taisho Marine and Fire Insurance and Sun Alliance and London Insurance have agreed to exchange professional skills and co-operate on product development through UK subsidiaries Reuter reports from Tokyo. The first objective is for Taisho Marine and Fire Insurance (UK) and Sun Alliance Insurance Overseas to assist each other in underwriting for Japanese customers in the UK.

## Waterbomber study

Bombardier Inc's aerospace group is studying joint production of the Canadair turbine-powered waterbomber in Indonesia, writes Robert Gibbons in Montreal. Canadair would co-operate in assembly with the Indonesian state-owned aircraft company Industri Pesawat Terbang Indonesia.

## Seoul investment up

South Korean investment overseas shot up 134 per cent in the first 11 months of this year to \$424.6m from \$181.6m in the same 1988 period, Reuter reports from Seoul.

Finance Ministry officials said local wage rises, capital appreciation and protectionism abroad have prompted businessmen to invest more abroad. The number of projects rose to 220 from 147 a year earlier.

South-east Asia attracted the most projects this year at 106, but North America saw the highest investment in value terms at \$211.4m. More than half the projects were in manufacturing.

## Atlantic container rates to rise

By Robert Gibbons in Montreal

IMPORTERS and exporters will be paying more to move their goods across the Atlantic this year.

Atlantic west-bound conference container rates are going up 5-10 per cent on March 1. The basic rate for a 20-foot container moving to Canada from Europe will rise about C\$65 (C\$36), and for a 40-ft container, \$100.

Industry officials expect east-bound rates to rise by about the same amount, since demand is firmer east-bound than west-bound.

Far East rates, both out-bound and in-bound, are rising by an average 10 per cent, officials say.

From March 1, the in-bound rate for a 20-ft container will rise about \$250 and for a 40-ft container about \$350. Out-bound rates will rise on April 1 by about \$150 for a 20-ft container and \$200 for a 40-ft one. Dry cargo rates will rise about 10 per cent.

● Dominion Textile Inc, Canada's largest integrated textile group, is taking a further step towards internationalisation to meet the challenges of Canada-US free trade and Asian competition. It is selling its sheet and bedding business with annual volume of around C\$150m to a new company jointly owned with C.S. Brooks Corp, of New York. It can own

50 per cent of the new company.

Earlier, it merged its towels division with C.S. Brooks Corp for a 50 per cent interest. The New York company recently acquired 49 per cent of Britain's Homecare Textiles, a sheet and towel producer, to expand its share of the North American and European markets.

Domtex said both deals increased its access to the big US market and the Canadian manufacturing plants will be retained. But union officials say the company will eventually move sheet and towel manufacturing to the US.

## Taiwan bid to boost farm exports

By Peter Wickenden in Taipei

THE Taiwanese Government is to appoint officials to Belgium, the US and several other countries, in a bid to boost farm exports and raise competitiveness of its farm sector in preparation for entry to the General Agreement on Tariffs and Trade (GATT).

Taiwan has come under pressure from the EC, the US, Australia and Canada to open further its market for farm products. It has made few major concessions, mainly to the US, but Taipei now faces little choice if its impending application to enter GATT is to succeed.

When Taipei yielded to local cattle raisers' demands in September and banned Australian beef imports, Australia made

clear that its support for Taiwan's GATT application was in jeopardy. A second round of talks on the beef issue failed to reach any agreement.

While tariffs on the vast majority of industrial and consumer goods have been slashed to a level mostly in line with other industrial economies, the agricultural sector remains the most heavily protected. The Government has told major trade partners that it will never open the market completely, for strategic reasons, but is resigned to the inevitable negative impact of liberalisation on an industry far from efficient.

Agricultural and fisheries representatives are to be sta-

tioned in Taiwan's unofficial trade offices in Washington and Seattle, as well as in Holland, Belgium, Japan, Thailand, Argentina, Samoa and Fiji. They will start aggressive promotion drives and pursue co-operation projects.

Meanwhile, the US plans to ask for further tariff cuts on agricultural products at trade talks with Taiwan in mid-January. Taiwan ran a trade surplus with the US of more than \$1bn (\$625m) a month in 1989. Despite a series of government measures designed to reduce the imbalance, December's figures are likely to produce a trade surplus with the US nearly 20 per cent up on the \$16.8bn recorded in the previous year.

## Ecowas dismantles trade barriers

THE 16-member Economic Community of West African States (Ecowas) yesterday started dismantling barriers to trade within the world's poorest region, Reuter reports from Lagos.

As from today, all non-tariff barriers to intra-Community trade are being removed completely over a four year period by each Ecowas member state, the organisation said in a statement issued from its Lagos headquarters yesterday.

In addition, tariffs on industrial goods will be gradually phased out at varying rates, Ecowas said.

Under the plan, unprocessed goods, products and handi-

crafts originating within the community are now exempt from tariffs.

Ecowsas, which was created in 1975 to expand member economies by removing trade barriers and developing integrated industries, has been comparatively slow to realise its free trade dream. Less than 5 per cent of members' recorded trade is with each other, although smuggling is commonplace.

The take-off date for the long-planned project was formally decided by Ecowas member heads of state in June 1989. The tariff reduction plan applies to an initial 25 products, ranging from biscuits to

plastic bags, at varying rates within the community.

The plan divides the community into three groups based on levels of industrialisation.

The most industrialised, the Ivory Coast, Ghana, Nigeria and Senegal, have four years to eliminate tariffs on priority goods and six years for non-priority goods.

Benin, Guinea, Liberia, Sierra Leone and Togo have six and eight years to end tariffs on the two sets of goods.

The least industrialised countries, Burkina Faso, Cape Verde, The Gambia, Guinea-Bissau, Mali, Mauritania and Niger, have eight and 10 years.

## Gloss comes off Caribbean initiative

Efforts to widen the programme are in hand, writes Canute James

WHEN the US Government announced a preferential trade programme for several Caribbean countries last under six years ago, many governments in the region saw it as an opportunity to increase significantly their foreign earnings.

They are not so sure now. "Perhaps we expected too much," concluded Mr John Compton, Prime Minister of St Lucia. "In the light of cold statistics, short of all political rhetoric, we shall regretfully conclude that it has not lived up to its early promise."

Despite the benefits promised by the Caribbean Basin Initiative (CBI), as the programme is called, the region's exports to the US have stagnated, frustrating Mr Compton and his colleagues. Exports to the US from the countries listed as CBI beneficiaries fell from \$8.73bn (\$5.5bn) in 1983, the year before the CBI was implemented, to \$6.18bn in 1988. The balance of trade now favours the US.

Consequently, Caribbean governments are watching, with more than passing concern, the progress of efforts in Washington to widen and extend the trade programme. But questions raised by some US legislators about the proposals have led Caribbean officials to conclude that the effort could fall victim to what they described as "a persistent and strong tendency towards protectionism".

The CBI was introduced in January 1984, and was intended to run for 12 years. It allows 22 countries designated by Washington to ship a range of products, duty free, to the US, but denied preferential treatment to some key Caribbean

exports such as petroleum products, garments, textiles and leather goods.

US trade officials argue that this decline in the value of Caribbean exports to the US over the past five years was due mainly to changes which overtook two products - lower oil prices and cuts by the US in its imports of Caribbean sugar. They say the CBI has been successful in increasing the value of non-traditional Caribbean exports to the US.

"The CBI has had remarkable success in this major goal," said Mr Peter Whitney, director of the office of regional economic policy of the Bureau of Inter-American Affairs in the US State Department. "In the 12 months ending June 1989, non-traditional exports from the beneficiary countries totalled \$3.4bn. This represents growth of 90 per cent since 1983, the year before the CBI went into effect."

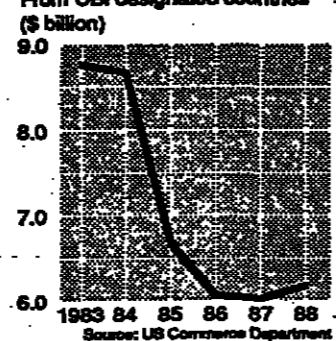
Among the changes to the programme being debated in Washington following proposals from two legislators is a doubling of the list of the CBI, and an extension of the list of Caribbean exports which will be granted preferential treatment.

According to Mr Erskine Sandiford, Prime Minister of Barbados, the bill now before Congress could provide opportunities for Caribbean countries to increase investments and expand their economies. The original CBI had some "limited success", the prime minister said, but has not been enough to meet the expectations which it created.

In 1983, his island's exports to the US were valued at \$174m, he added. This had fallen to \$42.7m by 1988, mainly

## US imports

From CBI designated countries (\$ billion)



due to reduced shipments of sugar as the US cut import quotas.

Mr Compton agreed that if the bill passes through the US Congress in its present form, or with only minor alterations, it could be beneficial to the Caribbean countries.

But the region's business leaders say more has to be done to fight off the attempts by some legislators and US business to dilute some of the proposals for improving the trade programme.

"The interest must come from our producers in the region because we are the ones who will benefit," said Mr Delroy Lindsay, executive director of the Private Sector Organisation of Jamaica. "I am quite optimistic that the bill will come through, but I think that we, at both the political and private-sector levels, will have to redouble our efforts to ensure that the benefits of the bill are not eroded."

"We cannot allow the various sectoral interests in the US to bring unfair pressure to bear against a policy designed to

help develop the region. We have to lobby very effectively in Washington - that is where we have to focus our attention now."

The proposed changes which Caribbean governments and businessmen say will benefit the region include duty-free treatment for textiles and garments for which there is a guaranteed market under a separate programme.

They want preferential treatment for exports of leather products, including footwear, and guaranteed minimum levels of sugar exports to the US. The region's sugar industry has claimed it has been unable to make any rational plans for production because of the cuts in US import quotas to the region.

The beneficiary countries also want to see a change which would bind the US Government to a minimum 12-year notice period for the cancellation of the CBI.

In a recent statement sent to Washington supporting the proposed changes to the CBI, several Caribbean governments said the improvements would "make a valuable contribution to increasing the capacity of the CBI beneficiary countries to respond to the problems, challenges, and, indeed, opportunities of the future".

The statement said the Caribbean recognised that the US Administration may not be able to support some of the proposed changes, but that the countries in the region invite the (US) Administration to reflect on the continued importance of such traditional commodities as sugar to the social and economic well-being of our countries.

The different national financial markets have now become part of a global economic region. The trend towards worldwide diversification of investments poses new challenges and demands teamwork with strong banking partners.

Many of our customers are international banks - just like us.

Close relations with domestic and foreign credit institutions and central banks have traditionally played an important role at BHF-BANK. In securities and foreign exchange trading as well as in portfolio management and custody accounts, our foreign partners bank on our strength.

As the Deutsche Mark has gained in stature as an international investment and reserve currency, Frankfurt has increasingly become an important European financial centre and the German capital market more appealing than ever before. With its long established position, more and more banks put their trust in BHF-BANK when considering commitments here.

Global perspectives are only part of what it takes to make a bank a partner for other banks throughout the world. Equally important is the ability to understand each individual problem and to create the customized solution - the style of a merchant bank, which BHF-BANK has cultivated for more than 100 years.



**BHF-BANK**

Merchant Bankers  
by Tradition

Head office: Bockenheimer Landstrasse 10, D-6000 Frankfurt 1, Tel. (069) 715-0, Fax (069) 718-2296, Telex 411026 (general)  
London Branch: 61 Queen Street, London EC4R 1AE, Tel. (01) 634 23 00  
Branches and subsidiaries in Amsterdam, St. Helier/Jersey, Luxembourg, New York, Singapore, Tokyo and Zurich.

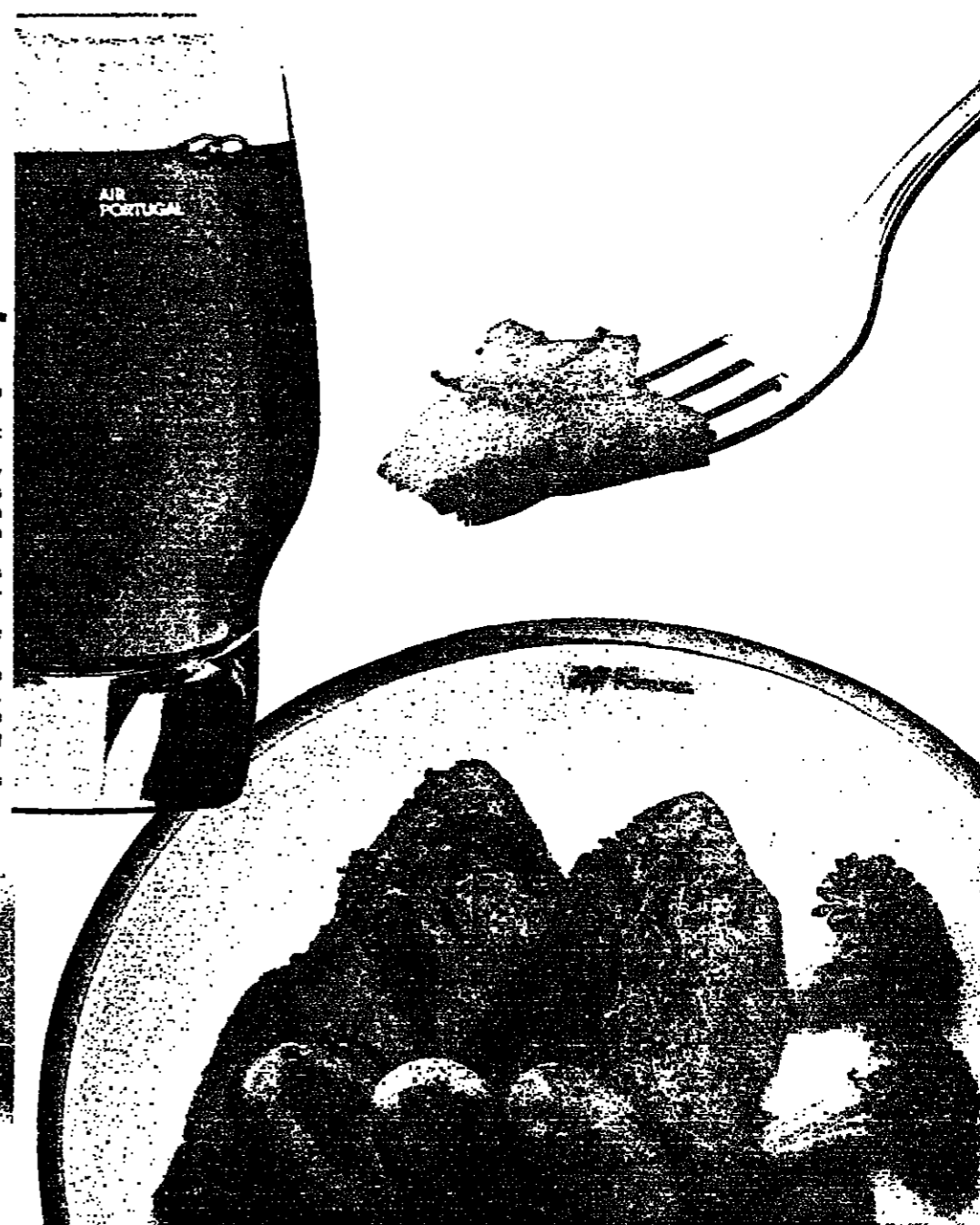
**TEMPTED**

BY

**TOP**  
**AIR**  
**PORTUGAL**

A personal welcome.  
Your favourite seat by the window.  
A glass or two of the finest champagne.  
Before your beautifully served meal from what is fast being recognised as one of the greatest cuisines in the world.  
Accompanied by fine wines from Portugal's most respected vineyards.  
It's like your own private restaurant in the air.  
One you visit everytime you travel Navigator Class. With the airline from the country that made travelling fashionable.  
And the one that knows good food. Tempted?

FLYING THE WORLD  
YOUR WAY



## UK NEWS

## FINANCIAL TIMES SURVEY OF SURVEYS

## Robust economic recovery is expected next year

By Patrick Harverson, Economics Staff

BRITAIN will avoid a recession this year, while 1991 should see a robust recovery in economic activity, a Financial Times survey says today.

Since the last publication of the survey's findings in August, the country's leading forecasting organisations have become gloomier about prospects for overall economic growth, investment and manufacturing output, but they are more optimistic about exports and the longer-term outlook.

It is the growth in export volumes, aided by a weak pound and strong world trade, that is expected to stave off a recession this year, according to the survey of 22 independent fore-

casting groups, plus the Treasury. The average independent estimate for export growth this year and in 1991 is 7.5 per cent and 5.2 per cent respectively.

In contrast, near stagnant consumer spending will lead to a drop in imports growth, with volume expected to advance by only 1.4 per cent in 1990 and 3.6 per cent in 1991.

The key to the improvement in exports will be the ability of UK companies to divert production from ailing domestic markets to meet more buoyant demand overseas.

Last week's trade figures for November, which showed that export volumes grew at more than twice the

rate of import volumes between September and November, suggested that manufacturers have already begun to redirect their capacity to foreign markets.

The improving balance of trade will lead to a reduction in the current account deficit in the next two years. The deficit is, on average, forecast to fall from an estimated £21bn in 1989 to £14.9bn this year and £12.5bn in 1991.

The performance of Britain's exporters, however, will not prevent the economy from slowing to modest levels of growth this year.

The average estimate is for 1.4 per cent growth in gross domestic output.

A recovery in consumer spending, investment and manufacturing output will see a return to more robust growth of 2.4 per cent in 1991.

Lower rates of economic growth will not lead to a significant rise in unemployment, which is forecast to rise from its current level of 1.85m to 1.7m in 1990 and 1991.

Interest rates are forecast to ease from 15 per cent to 13 per cent by the end of this year, dropping further in 1991 to below 11 per cent.

Lower interest rates will contribute to lower inflation this year. The average estimate is for the Retail Prices Index to stand at 5.5 per cent by the end of 1990, down from the current

rate of 7.7 per cent. The RPI is forecast to fall further in 1991, ending the year at 4.8 per cent.

The high cost of borrowing, and its effect on profitability, will force companies to reduce their investment plans.

The forecasters expect virtually zero growth in investment this year, followed by a modest recovery in 1991.

The FT average is a simple unweighted average that takes no account of different methods used to measure economic variables, and the different assumptions underlying the economic models used by the forecasting groups.

## FORECASTS FOR THE UK ECONOMY

(Unemployment, average over period. Balance of payments and PSBR in £bn; PSBR for financial years 1989-90 and 1990-91. Interest rates fourth quarter. Retail price inflation; year to fourth quarter. Others are percentage change over 12 months. Data indicates information not available)

		Gross Domestic Product		Consumer spending		Manufacturing output		Fixed investment		Retail price inflation		Unemployment - Millions		Balance of payments current account		Public Sector Borrowing Requirement		Interest rates (3 month interbank)		Exports volume		Imports volume		
	Date	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990-91	1991-92	1990	1991	1990	1991	1990	1991	
Treasury	Nov	1.25	-	1.25	-	1.5	-	1.75	-	5.75	-	-	-15	-	-10	-	-	6.25	-	1.25	-	-	-	
Conf of British Industry	Nov	1.4	1.8	0.9	1.5	1.3	2.3	0.0	0.5	5.3	4.7	1.7	1.8	-13.8	-13.3	-13.3	-11.5	12.0	10.0	5.8	3.3	1.1	1.9	
DRI Europe	Nov	1.4	2.1	1.0	1.9	0.4	4.1	-2.9	3.4	6.0	3.8	1.9	1.9	-15.7	-11.7	-8.9	-2.1	12.9	10.3	6.1	4.4	-2.2	2.6	
European Commission	Oct	2.1	-	2.1	-	3.7	-	-	-	5.5	-	-	-	-17.9	-	-	-	12.0	-	-	-	-	-	
Hensley Centre	Nov	1.0	2.0	1.0	2.7	1.0	2.0	0.9	0.9	4.9	1.6	1.6	1.9	-15.9	-15.9	-15.9	-10.0	12.8	4.7	3.6	1.8	3.3		
Ernst & Young ITEM Club	Dec	1.7	2.1	1.4	2.4	0.7	2.7	0.4	0.1	5.4	4.5	1.7	1.9	-13.2	-11.9	-15.5	-14.8	13.4	10.7	7.9	4.2	1.8	3.6	
Liverpool University	Dec	1.6	2.9	1.2	0.8	-	-	-	-	5.5	4.9	1.7	1.5	-14.1	-7.8	-11.7	-15.3	13.7	11.8	-	-	-	-	
National Institute	Oct	1.9	1.9	1.5	0.8	1.4	1.4	2.5	3.5	5.8	6.5	1.7	1.7	-17.8	-14.8	-17.7	-15.0	13.0	8.7	6.3	0.5	2.7		
OECD	Nov	1.6	2.6	1.2	1.4	-1.5	-	2.0	3.5	5.2	6.0	1.7	1.7	-17.9	-17.7	-15.3	-14.3	12.7	12.0	8.9	6.2	0.3	4.5	
Oxford Econ Forecasting	Dec	1.3	1.9	1.4	1.8	-	-	2.5	3.1	6.6	5.2	-	-	-18.0	-13.0	-	-	14.0	-	6.0	6.3	3.6	4.2	
	Dec	1.5	1.5	1.0	1.2	2.0	0.8	2.2	1.2	5.6	3.5	1.6	1.7	-14.9	-12.2	-12.3	-13.1	14.0	11.0	7.5	5.4	3.9	3.1	
Barclays de Zeeuw	Dec	1.0	2.5	1.0	2.5	0.0	3.0	-2.0	1.0	4.2	4.5	-	-	-11.0	-7.0	-8.0	-2.0	11.5	10.5	8.0	5.5	0.0	3.0	
Crédit Suisse First Boston	Dec	1.3	2.8	1.5	1.7	1.5	3.0	1.3	3.5	6.5	6.5	1.7	1.8	-16.0	-15.0	-12.0	-8.0	13.0	11.0	9.5	5.6	1.6	4.7	
Goldman Sachs	Dec	0.8	2.1	0.8	1.8	1.1	2.2	1.2	2.4	6.5	4.9	1.7	1.7	-14.3	-12.0	-12.0	-10.0	12.0	10.0	8.2	5.7	2.9	3.8	
Greenwell Morgan	Dec	1.9	3.5	1.2	3.0	2.0	4.3	2.2	2.0	6.0	3.5	1.7	1.8	-14.0	-13.0	-14.0	-8.0	13.0	11.0	7.5	6.0	0.0	3.0	
Hoare Govett	Dec	1.7	2.8	2.5	-	2.2	-	-1.2	-	2.2	-	-	-	-13.5	-	-	-10.0	-	15.0	-	7.2	-	4.2	-
James Capel	Dec	0.9	2.4	0.8	2.0	1.4	1.8	2.8	1.9	5.8	5.2	1.9	2.1	-15.0	-14.0	-8.8	-6.5	13.5	11.0	6.7	7.3	3.9	5.5	
Lloyds Bank	Dec	1.6	2.8	0.9	2.8	1.3	2.7	2.1	-0.4	5.6	4.7	1.7	1.8	-13.8	-11.8	-12.0	-11.0	10.5	8.9	6.8	2.2	2.8	2.5	
Morgan Grenfell	Dec	0.5	2.8	-0.9	2.4	1.6	2.4	-1.0	2.9	5.4	4.9	1.5	1.5	-15.9	-13.2	-8.8	-11.1	14.1	13.1	7.4	6.0	-0.5	4.7	
National Westminster	Dec	0.9	3.3	1.3	2.8	2.2	3.7	-1.0	2.0	6.3	5.1	1.8	1.9	-14.0	-10.5	-8.0	-6.0	12.0	10.0	8.3	5.5	1.8	3.5	
Phillips & Drew	Dec	1.0	1.8	0.9	1.6	0.7	2.4	-1.6	-0.4	6.0	3.4	1.8	2.1	-12.9	-10.9	-10.9	-7.9	12.0	10.0	7.9	6.1	1.8	2.8	
Shearson Lehman Hutton	Dec	2.5	3.2	1.5	3.1	1.7	3.0	1.5	2.9	5.5	5.2	1.7	1.7	-14.1	-11.5	-8.5	-7.2	14.0	11.0	8.9	9.5	2.4	3.0	
Warburg Securities	Dec	2.2	2.4	1.6	2.4	1.7	2.5	1.0	1.6	6.2	4.5	1.8	1.8	-15.7	-11.0	-8.0	-7.0	13.0	10.0	7.2	4.6	1.7	3.5	
FT average	Nov	1.4	2.4	1.2	2.0	1.3	2.5	-0.2	1.5	5.5	4.8	1.7	1.7	-14.9	-12.5	-11.0	-8.8	13.0	10.9	7.5	5.2	1.4	3.5	
Average of City forecasts	Nov	1.4	2.7	1.1	2.4	1.5	2.9	-0.2	1.4	5.4	4.8	1.7	1.8	-14.1	-11.7	-8.3	-7.0	13.1	10.6	8.0	5.8	1.5	3.5	

NOTES: Treasury: 1990 forecasts based on first half, with RPI for second quarter. GDP: Treasury, compromise measure. DRI, Liverpool, LBS, National Institute use output measure. Others use average measure. Consumer spending: Liverpool, non-durable consumption. Retail price inflation: Liverpool, all year; OECD, average consumer prices. EC consumer price deflator, all year. Interest rates: Liverpool, Treasury bill average for year. CBI, DRI, LBS, Hoare Govett use base rates. National Institute, Treasury bill. EC, short term, end of year.

## Business leaders angry over big increase in rates

By Richard Evans

BUSINESSMEN in England and Wales reacted with widespread hostility yesterday to the scale of the rise in rates (local property taxes) that many will have to pay over the next five years, following a political headache for the Government.

Some businesses will have to pay eight times the existing level as they discovered yesterday when draft valuation lists were put on display at local council offices for the first time.

Hardest hit by the new uniform business rate, due to be introduced in April, will be retailers in south-east England - particularly London's West End. Harrods, the Knightsbridge department store, will have its rateable value increased from £853,472 to £24m. The rates payable at 34.8p in the pound will go up from £1m to more than £8.5m.

Mr David Simons, finance director of House of Fraser which owns Harrods, said: "The increases being proposed are monstrous. We shall be appealing against them, with every hope of success."

There will be a five-year transition period to cushion the impact of the new system, which will limit increases to 20 per cent a year in real terms.

The transition period will also mean that beneficiaries will have their rate reductions staggered.

Many Tory backbenchers will be campaigning for a period to be extended to 10 years. Among the worst affected are small businesses who traditionally support the Conservative party.

The increases come because there has been no revaluation of commercial property for 17

years. Valuations have increased by an average of eight times across the country, but by much more in the prosperous shopping districts of south-east England.

In Milton Keynes, a successful new shopping centre, the valuation of one shop has risen from £1,638 to £25,000, a 15-fold increase which will mean a doubling of the rate bill from £4,500 to £9,000 a year.

The reaction yesterday to an initial study of some of the 1.6m commercial properties covered by the revaluation was one of widespread, but not universal, hostility. Businesses in north-west England, for example, generally welcomed the changes.

The main beneficiaries of the rate changes, which will bring in the same amount of cash as the current non-domestic rate after taking inflation into account, will broadly be industries in the Midlands and North.

Mr John Banham, director general of the employers' federation, the Confederation of British Industry, was highly critical. "More than 500,000 businesses will see their rate bills rise by 30 per cent a year in real terms for at least the next two years. The overall result could well be a one-point increase in the retail price index at just the wrong time."

Mr John Harris of the National Federation of Self Employed said it was clear that a lot of small businesses were going to suffer. "The Treasury found nearly £1bn of new money to protect community charge payers. Doesn't the corner shop warrant similar concern?" he asked.

Lex, Page 12

## Consumers come of age with a new decade

By Alice Rawsthorn

GREYPOWER, glasnost and the "green" movement will be the main influences on consumer spending in the Britain of the 1990s as the archetypal consumer becomes older, more cosmopolitan, increasingly concerned about the environment and rather less extravagant.

This picture of a more mature, conscientious consumer is painted in a new report by Projection 2000, a market research consultancy, which analyses expenditure trends throughout the 1990s until the year 2000.

The recent rise of interest in environmental issues - which has already crammed supermarket shelves with phosphate-free soap powder and biodegradable washing-up liquid - is not a short-term fad, according to the report, but a long-term phenomenon which will influence expenditure throughout the decade.

Given that the new generation of "green" consumers is prepared to pay top prices for ecologically-sound products, there should be lots of opportunities for new products, especially in sectors such as motoring, household goods and food.

The emphasis on the environment should also fuel the trend away from conspicuous consumption which characterised the "designer decade" of the 1980s. This trend will, however, be influenced by economic changes.

The recent rise in interest rates has already depressed consumer spending and has brought the consumer credit boom to an abrupt halt. The report predicts that credit control will become an increasingly important issue. Some consumers could spend the early 1990s paying off the credit card debts they accumulated in the 1980s.

Projection 2000 expects the slowdown in consumer spending to continue until 1992. There should then be a revival, at least until 1996. This revival will coincide with the introduction of the unified European market in 1992. The unified market - combined with likely closer links with Eastern Europe - should increase the influx of foreign goods into Britain and encourage the trend for the British to become more cosmopolitan in taste.

Meanwhile, the composition of consumer markets will change dramatically in the 1990s with fewer young consumers, but more elderly people. There will be almost 5m more Britons in the 49 to 57 age group by the year 2000, which should ensure that "grey power" is an increasingly important influence over consumer markets.

Consumer 2000 is published by Projection 2000 at 16 Evering Road, London N16 7QJ for £35.

## Eurotunnel near £1bn loan deal

By Kevin Brown, Transport Correspondent

A £1bn refinancing package for Eurotunnel, the Anglo-French Channel Tunnel consortium, is likely to be signed next week, despite continuing disagreement over the cost of the project.

Final details will be drawn up on Tuesday by the consortium of 200 banks which has already agreed to provide Eurotunnel with £5bn of loan capital. The package will probably be signed on Friday.

The agreement will end doubts over the future of Eurotunnel which began when the group announced that the cost of the project would be £7.2bn, compared to the original estimate of £5bn.

It will probably be followed by a rights issue in the spring

to raise about £350m of new equity from shareholders, who have already put up £1bn.

Negotiations with the banks were complicated by a disagreement between Eurotunnel and Transmanche-Link (TML), the Anglo-French construction consortium, which put the cost at £7.5bn.

The banks now appear ready to accept a report from two independent firms of consulting engineers which supported Eurotunnel's cost projections. However, there may be changes to the specifications of the tunnel or the terminals at Folkestone and Coquelles, near Calais, to reduce the potential impact on TML's profits.

The banks are unlikely to

seek the removal of Mr Alastair Morton, the British chairman of Eurotunnel,

whose abrasive style has won some support from bankers. But there is still a possibility that some senior managers will be asked to leave as part of a process of tightening Eurotunnel's cost control mechanisms.

The probable agreement with the banks follows news that the Inter-Governmental Commission, which is responsible for safety in the tunnel, has allowed passengers to be carried on shuttle trains with their vehicles, enabling Eurotunnel to go-ahead with a £800m order for shuttle trains.

Eurotunnel's shares closed up 28p yesterday at 633p.

## 'Downturn' predicted in construction

By Kevin Brown

THE construction industry will suffer a downturn in trading activity this year after nine years of steady growth, Mr Peter Rainbird, chairman of the Building Employers' Confederation, said yesterday.

Mr Rainbird said in a new year message that the private house building sector was already moving towards a recession because of "the harsh high interest rate regime" which began last year.

He urged the Government to stimulate the house building market by reducing interest rates, easing the burden of stamp duty on house sales, and increasing the ceiling for tax relief on mortgage interest from £20,000 to £50,000.

However, Mr Rainbird said output in 1990 was likely to be higher than in any year up to 1988 because reduced private spending would be offset by increased public spending on hospitals, schools, the inner cities and the homeless.

"It is also worth recalling that, as we entered the 1990s, construction was in a far worse shape than it is now, and it was operating on a much weaker national economic base," he said.

"Despite current economic difficulties, we enter the 1990s as a stronger, more productive and more efficient industry, and I am confident that we can look forward to further sustained growth in the years ahead."

## Accountants predict decline in buy-outs

By Charles Batchelor

MANAGEMENT buy-out activity may start to decline this year after six years of unbroken growth to a peak of £6.4bn in 1989, according to accountants Peat Marwick McLintock.

A decline in the profit expectations of many companies and the high level of interest rates have combined to reduce buy-out activity in recent months, said Mr Chris Boreford, head of buy-outs at Peat.

In addition, the high average price/earnings level of Stock Exchange quoted companies has meant that businesses which are potential buy-out candidates have become too expensive for management teams and financial backers.

In 1989 buy-outs increased in both numbers and value. Sixty seven large buy-outs (valued at more than £10m each) worth £5.78bn were completed last year compared with 54 buy-outs worth £4.44bn in 1988.

In addition, Peat estimates small buy-outs valued at less than £10m each were completed to a value of £800m compared with £560m the year before. The total level of buy-out activity rose to £6.38bn from £5bn.

For each of the past three years buy-outs have provided about one-eighth of all merger and acquisition activity in the UK, Peat said.

The underlying trend is nevertheless downward with the value of deals completed in the fourth quarter of 1989 lower - at £740m - than any quarter

since the beginning of 1983, immediately after the Stock Market crash of October 1987.

Companies in the UK operating self-administered pension schemes can look forward to continuing large surpluses from those schemes as a result of investment buoyancy, writes Eric Short.

First estimates from the WM Company, one of the world's largest investment performance measurement companies, show that self-administered pension schemes in the UK achieved an investment return in 1989 of around 28 per cent - the highest return for the decade, shading the 28.8 per cent achieved in 1982.

If property investment is excluded from the calculations, then the estimated average return by pension schemes rises to almost 31 per cent - exceeded only by the 33.9 per cent achieved in 1982.

Such returns will be well in excess of the estimated rise in the Retail Price Index for 1989 of around 7.5 per cent and the increase in National Average Earnings of around 9 per cent.

UK pension schemes on average will achieve a real return on their investments over salary increases of 20 per cent.

Equities, both UK and overseas, were the best performers in 1989, with 84.4 per cent from UK equities and 38 per cent from overseas. The impact of equity markets had fully recovered from the crash of October 1987.

## IN BRIEF

## Last quarter sees record fall in UK house prices

The last quarter of 1989 saw the largest ever quarterly fall in UK house prices, according to the Nationwide Anglia building society and will continue into the early part of this year.

The society's index fell 2 per cent in the last three months. The sharpest falls were recorded in the south where declines of over 5 per cent were registered in that period - and over 6 per cent in the south-west.

## IRA kills driver

A taxi driver taking his teenage daughter to school yesterday became Ulster's first victim of terrorism in 1990 - killed by an IRA bomb under his car.

Mr Harry Dickey, 38, died when an explosion ripped through his car near his home in east Belfast. His daughter survived. The IRA claimed its victim was a member of the Ulster Defence Association, the Protestant paramilitary organisation, and of the outlawed killer group the Ulster Freedom Fighters.

## Coolers stay put

The Chesterfield wine coolers, two large silver tureens, made in London in the 1720s by the two leading goldsmiths of the day, Paul de Lamerie and Paul Crespin, are to stay in the United Kingdom after a £750,000 appeal, launched jointly by the Victoria & Albert Museum and the National Museums of Scotland, was successful yesterday when the fine art auctioneers Christie's contributed the £88,000 needed to reach the target sum.

## Vauxhall price rise

Vauxhall, the UK subsidiary of General Motors, the US motor manufacturer, increased prices of Vauxhall cars and Bedford vans rose by 4.3 per cent and 4 per cent respectively from midnight last night, taking a Cavalier saloon 1.6i from £9,510 to £9,998.

## Guernsey bank

Adam & Company, the small Edinburgh-based private bank, has set up an offshoot in Guernsey, to be named Adam & Company International, offering private banking, investment, trustee and company secretarial services.

## Centrist tax policy

The centrist Liberal Democrats yesterday published a blueprint for a radical restructuring of the tax and benefits system with the eventual aim of replacing tax allowances with a minimum basic income for all adults.

## Underground graffiti

London Underground, the mass transit system, is to spend £10m on improved security at stations and train in a bid to combat graffiti.

## BAe rules out compromise on shorter working week

Mike Smith examines the tough stance of the aerospace group over union calls for a cut in man-hours

Mr Maurice Dixon is not in the mood for compromise.

The managing director of the commercial aircraft arm of British Aerospace is adamant that his company is not prepared to negotiate on a shorter working week unless employees call off their strikes.

His hard-line stance has met with an equally tough response from unions saying there can be no return to work without a shorter hours agreement.

Many people believe that a 37-hour week throughout the engineering industry is now inevitable. "It will not happen all of a sudden," says one company chairman. "But it will become a reality within a year or two." Like increasing numbers of company heads, he has quietly started negotiations with union leaders.

But if a shorter week is to become the norm, why is BAe holding out? Mr Dixon says it is simply that the company does not consider negotiating under duress (while strikes continue) to be conducive to its long-term competitiveness.

The problem is that the nine-week-old strikes at two BAe plants and six-week stoppage at another is costing both

sides dear; BAe in lost production and the unions in strike levy money they badly need to spread the hours campaign to other companies.

How long is the BAe stalemate likely to continue? And how harmful is it for the engineering unions' campaign?

The unions have so far done better than expected. After rejecting an offer of a 37½-hour week for manual workers from the Engineering Employers' Federation last April, they adopted a risky strategy by deciding to campaign for a series of selective strikes.

There were doubts about whether they could achieve majorities in strike ballots, and about the ability to achieve anything more than the 1½-hour reduction they had already been offered.

In the event, white collar workers, who had subsequently joined forces with their manual colleagues in the hours campaign, voted against striking at the seven plants selected for stoppages.

The blue collar employees, however, were largely in favour. More important, indefinite strike campaigns - or at least the threat of these - have helped to secure 37-



hour week deals at Rolls-Royce plants in Glasgow and Tyne-side, and at a Smiths Industries factory, in Cheltenham.

The campaign's successes have to be put in context. Only three large engineering companies have offered 37-hour weeks - the other is GKN but that offer is part of a complex package which employees in Telford have rejected - and workers in only four plants are affected directly.

Among smaller companies, perhaps another half dozen have agreed hours cut deals. The unions still have to

Mr Maurice Dixon of British Aerospace (left), which has a relatively captive customers in Britain for defence equipment and Airbus, does not consider negotiating under duress to be conducive to the company's competitiveness

tackle thousands of other plants and employers. The 37-hour week represents about half of engineering employers, has about 5,000 employer affiliates and most have more than one plant. The CSEU could not afford to launch strikes everywhere, nor could it obtain ballot majorities everywhere.

Before long all employees at both Smiths and Rolls-Royce are likely to be covered by 37-hour week agreements. Mr Hugh Pope, chairman of the Smiths aerospace division, says: "You cannot negotiate a

37-hour deal at one plant without recognising you will have to do it elsewhere." At Rolls-Royce, Mr Jim Keir, director for supply, says he expects that by the end of 1991 all of the company's manual employees will be working 37-hour weeks.

## Corporate Finance

### To £50,000 Managers/Executives

Our client is a small merchant bank providing a financial advisory service to small, growing companies in both the Public and Private company sector. This includes the initiation and execution of mergers and acquisitions, raising of equity, preference share capital and debt finance.

As part of a planned expansion the company now seeks to recruit two additional individuals at Executive and Manager level respectively.

Suitable candidates at Executive level will be either recently qualified ACAs or Solicitors with at least 12 months relevant company/commercial experience and at Manager level individuals will need to possess at least 3 years corporate finance experience from either a bank or broking house.

Autonomy and a high level of responsibility as well as excellent promotional prospects are the hallmarks of these roles and they should appeal to individuals seeking to work in an entrepreneurial environment.

To discuss these opportunities in greater detail please call Penny Bramah on 01-631 2000 or write enclosing a full curriculum vitae to: Michael Page City, 39-41 Parker Street, London WC2B 5LJ.



**Michael Page City**  
International Recruitment Consultants  
London Paris Amsterdam Brussels Sydney

# The problem chiefs now most need to solve

By Michael Dixon

*Every question man can raise,  
Every phrase of every phase  
Of that question is on record in the files.*

KIPLING'S words seemed heaven-sent when they came to mind as the Jobs column was wondering how on earth to begin the new decade.

They reminded me that I had faced the same problem before. So I plunged into the archives to check how I'd tackled it not just 10 years ago when the column was much as it is now, but at the start of the 1970s when it was appearing in embryo form.

It turned out that in neither case was the new decade mentioned at all — which, given the weight of reference to same elsewhere in the media, might have struck readers as a welcome relief. But any of you who are looking for similar mercy today will be disappointed, and for two main reasons.

The first is that this is my last chance to herald such an occasion. While I hope the column is still appearing in the year 2000, it will have a different writer. The present one will have been put out to grass well before.

The second reason is that the 1990s are expected to be no ordinary decade. For in the numerous countries affected by scarcity of youth, the process of employment

seems set to turn from a recruiters' to a job-seekers' market. What is more, the implications of that change seem to be recognised not only by personnel specialists but even by a good many chief executives who, despite their frequent declarations that people are their most important asset, have rarely put their active interest where their mouths are.

Evidence of their new awakening comes, for instance, in a survey by the London-based Management Consultancies Association of heads of 100 organisations in the United Kingdom.

The prime question put to the chiefs was which issues did they expect to be most important during the 10 years ahead. The one that received the largest number of mentions — 42 — was the availability of capable staff. Second came 1992 with 31, followed by customer-care and staying competitive with 25 apiece.

When the chiefs were asked how they proposed to ensure they had a sufficient workforce, most saw the main hope as training and retraining. The 58 naming that option compared with

the 41 who, with some overlaps, put trust in offering better material rewards with emphasis on pay for results. Believe it or not, the next biggest vote — 27 — was for recruiting older people.

Even so a mere four were looking to obtain necessary talent by more enlightened selection methods, which hardly supports optimism about company leaders' appreciation of where their main staffing problems lie. And the outlook is perhaps darkened further by the fact that only seven of the chiefs named industrial relations as an important 1990s concern.

My guess is different. It is that unless organisations swiftly broaden the scope and improve the relevance of their recruiting procedures, the tightening of the jobs market will bring trades unions back to the fray.

Either way, however, the question of which view is right should at least give my successor a handy opening topic when the start of the next decade comes round.

### Pay prospects

THE SAME applies to a question arising from the accompanying table which, as in previous years, is drawn from PA Consulting Group's annual survey of UK

Sector of employment	Average start pay:		Pay progress of		adequate and high-flying staff:		adequate and high-flying staff:	
	forecast for 1990	actual in 1989	adequate	high-flying	adequate	high-flying	adequate	high-flying
	£	£	£	£	£	£	£	£
Banks	11,917	11,082	13,706	14,467	18,920	23,824	22,340	32,335
Food, drink and tobacco	11,722	10,723	12,667	12,944	16,017	18,100	18,725	24,479
Paper, printing, publishing	11,350	10,413	12,063	12,438	16,592	18,316	19,408	22,547
Distribution and retail	10,417	9,730	10,810	11,150	14,887	16,688	18,206	21,817
Manufacture except eng'g	11,607	10,714	11,900	12,640	14,866	16,818	16,921	20,826
Public services	9,595	8,098	10,427	10,571	13,785	14,576	18,587	20,761
Insurance	11,253	10,231	12,177	12,849	15,182	16,795	17,645	20,683
Oil and gas	11,400	10,889	11,921	12,872	14,966	17,378	17,136	20,650
Computers and electronics	11,802	11,094	12,623	13,269	15,504	16,721	17,469	19,444
Building societies	10,321	9,690	10,420	12,170	12,877	16,222	17,005	18,703
Chemicals and allied	11,698	10,853	11,920	12,353	14,120	15,341	16,085	17,655
Energy supply (incl water)	11,237	10,328	11,322	11,412	12,901	14,182	14,383	16,235
Mining & minerals	10,676	9,672	11,278	12,262	13,571	14,293	15,087	16,222
Engineering (incl motor)	10,905	10,010	11,012	11,436	12,840	14,030	13,727	15,474
<b>Overall</b>	<b>11,257</b>	<b>10,442</b>	<b>11,923</b>	<b>12,533</b>	<b>14,891</b>	<b>16,574</b>	<b>17,311</b>	<b>20,332</b>

organisations' graduate-recruitment plans. Anyone wanting full information on the findings should contact Jenny Ward at Hyde Park House, 60a Knightsbridge, London SW1X 7LE; telephone 01-235 6060, fax 01-235 0434.

My data is limited to the issue of pay. The figures, all averages, are broken down by the sector of the 130 employers surveyed. The table starts with forecasts of starting salaries to be paid to graduates recruited in the coming months. Next come

salaries actually paid to those taken on last year, which broke into five figures for the first time.

Then we turn to degree-winners recruited in earlier years. The rest of the table shows the previous recruits' total cash pay — salary plus bonuses — first after one year's service, second after three, and lastly after five. A distinction is made between merely adequate workers, and high-fliers turning in an above-average performance. To my mind, the prime

question raised by the table is whether the UK can afford to have its engineering sector languishing at the foot of the pay-prospects league. For there have been repeated warnings that fewer and fewer British youngsters are willing to study engineering.

Indeed, next Tuesday it will be 10 years since the Government was alerted to looming scarcity of engineers by the Finlinton report. I only hope my successor in 2000 will not have to report a further decade of neglect.

## DEALERS

### Chief Spot Dealer to £70,000

This is an exciting opportunity for a Senior Spot Trader with at least four years experience to head up the Spot desk at a progressive European Bank. Ideal candidates are likely to be aged 30-35 and possess both a proven record actively trading a major currency and the necessary leadership qualities in order to manage a team.

### Senior Sterling Dealer to £45,000

An opening currently exists for a Sterling Money Market Dealer with a minimum of four years experience to join this respected International Bank. The successful candidate will have had exposure to running a substantial cash book and ideally have a knowledge of Off Balance Sheet Instruments.

### Spot Dealer to £50,000

On behalf of one of the world's most prestigious banks, we are currently retained to seek a Spot Dealer with at least three years experience trading either Spot Yen or the Cross currencies. Applications are invited from traders aged 25-35 with a sound career history to date.

Dealers interested in discussing these or the many other dealing vacancies currently handled, are invited to call either Gordon Brown or Steve Cartwright for a confidential, informal discussion.

GORDON BROWN & ASSOCIATES LTD.  
RECRUITMENT CONSULTANTS



**Gordon Brown**

### Corporate Dealer to £40,000

As part of its current expansion programme, we are currently retained by this prime name International Bank to seek a Corporate Dealer with at least two years experience. The successful candidate will have a good working knowledge of Foreign Exchange and Treasury, together with a proven sales/marketing ability. A knowledge of French would also be advantageous, although not essential.

### FRA Dealer to £45,000

Our client, an AAA rated European Bank, currently seeks to recruit an FRA Dealer. The successful candidate will possess at least two years experience actively trading either Dollar or Sterling FRAs and be seeking to join an institution fully committed to the Off Balance Sheet area.

### Spot Dealer c£35,000

A first class International Bank currently seeks to recruit a Spot Trader. Likely candidates will have at least two years experience actively trading either Spot Cable or Paris and be aged 25-35. All usual banking benefits apply, including a company car.

5TH FLOOR, 2 LONDON WALL BUILDINGS,  
LONDON EC2M 5PP  
TEL: 01-628 7601 FAX: 01-638 2738

## Entrepreneurial Analyst Communications and Entertainment Media

£ Negotiable  
London

A renowned and successful research/investment management company requires an exceptional analyst to study and report on European public and private companies in the communications and entertainment media industries — an area undergoing great change in Europe and around the world. The role will be wider than traditional institutional research. In addition to preparing regular reports directed at industry top management and tracking industry statistics

and major events, you will develop relationships with key executives, and have direct involvement in industry investments.

Whilst prior experience of this sector is an advantage, we will consider experienced analysts from other sectors. Key criteria are flexibility in approach and the ability to develop new measurement techniques to analyse businesses in new ways. You should possess first-class communication and staff management skills and competence in

word-processing and spreadsheets.

Preferred candidate details will be forwarded to our client. Those wishing to discuss this position in confidence may telephone Jan Stockton on 01-334 5743. CVs including salary details and quoting reference J/0038 should be sent to her at: Executive Selection Division Price Waterhouse Management Consultants No. 1 London Bridge London SE1 9QL

**Price Waterhouse**

## APPOINTMENTS ADVERTISING

Appears every Monday, Wednesday and Thursday

for further information call 01-873 3000  
**Nicholas Baker ext 3351**  
**Elizabeth Arthur ext 3694**

## JOBS

**RECRUITMENT CONSULTANTS GROUP**  
3 London Wall Buildings, London Wall, London EC2M 5PJ  
Tel: 01-588 3588 or 01-588 3576  
Telex No. 887374 Fax No. 01-256 8501

An unusually challenging opening — scope for equity participation in 3-18 months and to become a Director in 6-24 months.

### DISCRETIONARY FUND MANAGER

**LONDON** **£40,000-£70,000 + INCENTIVES**

**NEWLY ESTABLISHED FUND MANAGEMENT COMPANY WITH SUBSTANTIAL BACKING**

This new appointment calls for candidates aged 27-35, who have acquired a minimum of 5 years fund management experience and at least 2 years successfully servicing discretionary funds. An alternative category of applicant will lie in the age range 45-50, who continue to gain fulfillment from servicing discretionary funds for clients. The successful candidate will already have sufficient portable discretionary portfolios and will be expected to grow these accounts with other new business as it is drawn towards the organisation. The capacity to play a key role in the development of this new venture is significant. Initial salary negotiable, £40,000-£70,000 + substantial incentives + car and contributory pension. Applications in strict confidence under reference DFM4695/FT, to the Managing Director: CJA.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

## Career Opportunities in Technical Consultancy and System Engineering



Smith Associates is Britain's leading independent system engineering consultancy and a centre of excellence in the application of advanced science and technology. We require additional staff to work on a wide range of intellectually challenging projects undertaken on behalf of clients in both civil and military fields.

Growth areas include image and signal processing, advanced computing, space and communications. The work ranges from mathematical and physical modelling and conceptual design through to the development of advanced software and hardware demonstrators.

We invite applications from staff with qualifications ranging from a good honours degree in mathematics, physics, computer science or engineering to a Ph.D. degree and/or several years experience in university, industry or a commercial environment. We expect a high level of personal initiative and offer excellent career prospects with a generous salary and benefits package.

Please apply in writing with CV to: Dr. D.R. Wilkinson, Joint Managing Director, Smith Associates Limited, Surrey Research Park, Guildford, Surrey GU2 5YP. Telephone: Guildford (0483) 505565.

## ETSI DIRECTOR EUROPEAN TELECOMMUNICATIONS STANDARDS INSTITUTE ETSI

Substantial Salary plus Benefits

ETSI was set up in 1988 as an autonomous body to create common technical standards in the field of telecommunications throughout Europe. It brings together Telecommunications Administrations, Network Operators, Industry, Users, and Research Bodies, and coordinates their expertise and resources to develop harmonized technical standards.

ETSI's present Director will retire in the second half of 1990. We are looking for his successor.

The successful candidate is an exceptional individual: someone who

- can coordinate a constantly changing group of technical experts
- can negotiate at the highest levels with government ministries and departments, public telecommunications operators and manufacturers
- has the experience and ability to continue the process of unifying Europe in the field of telecommunications standardisation.

A broad technical grasp of the telecommunications industry and an appreciation of the international standards-making procedures are essential.

A thorough working knowledge of English and French is required; and a knowledge of German will be an advantage.

A substantial salary is supported by a benefits package that includes allowances for housing, school fees, pension and re-location costs.

Location at ETSI HQ in Sophia Antipolis, near Nice, France.

The formal appointment will be made by the General Assembly of ETSI. In preparation for this, a short-list is being drawn up.

Those wishing to apply for this position should send their curriculum vitae by 1 February 1990 together with a single page of their qualifications to:

THE CHAIRMAN OF THE ETSI GENERAL ASSEMBLY, GENERALDIREKTORATET FOR P&T, TIETENSGADE 37, 2 DK - 1530 COPENHAGEN V, DENMARK

### AUSTRIA - COMECON Managing Director

of a trading company, 30 years' experience in Int. Trading (COMECON/ ASEAN/ Far East) with unique skills in countertrading 17 years' experience abroad, seeks new opportunity in view opening of COMECON countries, E.C. approach of Austria.

Austrian, 46 years old, economist (state degree), bilingual English-German with knowledge of French, to work out of Vienna/Austria.

Available for meeting write Box A1430,  
Financial Times,  
One Southwark Bridge, London SE1 9HL

## NEW TOP EXECUTIVE JOBS IS YOUR CAREER ON TARGET?

Since 1980 we have provided a complete support service for executives seeking new general management or financial appointments. We have helped many executives to find new challenges and opportunities.

Telephone us for a confidential meeting which is without charge. If successful, we will ensure that your new appointment is a success. Enquire about our Executive Expert Service.

**Connaught-Mainland**

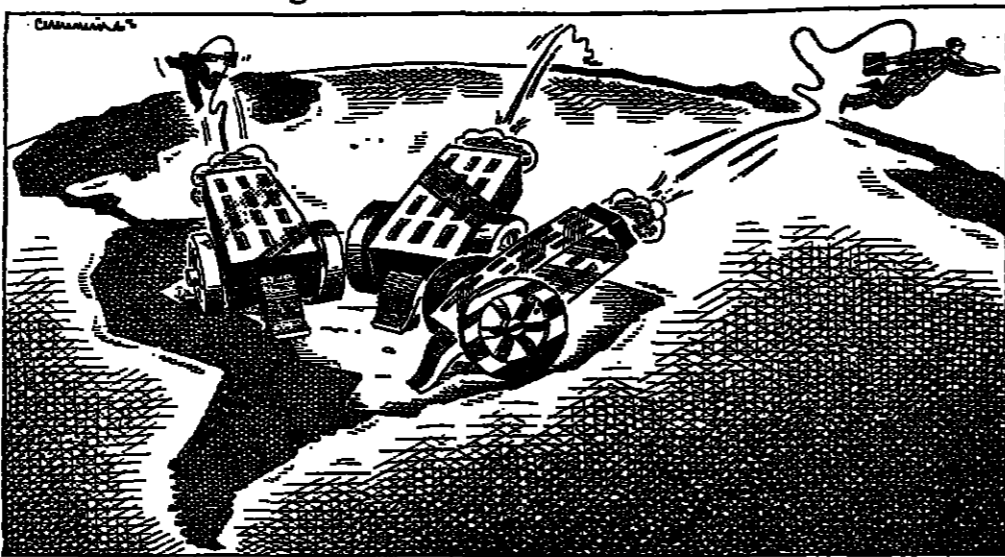
22 Suffolk Street, Birmingham B1 1LS 021-643 2324

## MANAGEMENT

## Foreign investment

## A hedge against volatility

A small group of Brazilian companies sees links overseas as a necessary step to improve their management and technological know-how. John Barham reports



As foreign investors turn their backs on Brazil, a small but influential group of local companies is beginning to invest overseas. The investments are very modest, but they are an encouraging indication that Brazil's traditionally sheltered and isolated businessmen are venturing further into the harsh international environment.

Silvio Bresser Pereira, a senior executive, says: "It is fundamental to change this mentality of isolation and learn how to deal with the outside world. Brazil is fantastically isolated. Many companies are realising that investments in advanced markets, notably the United States and the European Community, are safer, more productive and of greater strategic value than in Brazil."

There is a growing recognition that companies must keep abreast of international trends to improve performance in the domestic market. Andre Ranschburg, a Hungarian entrepreneur who runs Staroup SA, a leading apparel company, says: "To continue growing and to prepare for the 21st century, we must think globally and we understand this as an international hedge against a volatile market and the limited access to advanced technology."

Brazil's wealth of natural resources and regiments of cheap unskilled labour are becoming increasingly irrelevant to world markets that demand high quality, technology-rich products. The potentially huge domestic market of 140m consumers is too poor, too unsophisticated and excessively regulated to support internationally competitive industries. And many Brazilians speak fearfully of a future world divided into impenetrable trade blocs.

The expansion by many of these companies overseas is a natural extension of highly successful export efforts; none can risk losing markets as Europe, Canada, the United States and Mexico and Far Eastern countries form supranational economic units.

About a dozen leading companies already have international manufacturing units. As many as 400 smaller companies plan to diversify overseas as well. In the first seven months of the year, Brazilian companies invested \$200m overseas, compared with \$75m during the same period of 1988.

The impending unification of Europe has made it the principal target for Brazilian investments. The EC is Brazil's most

important export market, in particular Portugal, where Brazilians are the fourth largest foreign investors (\$100m forecast this year). There are the obvious attractions of a shared language and culture, combined with low costs and the added appeal of EC grants and soft loans.

However, Brazilians complain that Portuguese workers' skill levels are little better than Brazilians' and that the bureaucracy is as lethargic and enmeshed in red tape as their own. Although companies undoubtedly gain a competitive edge by operating within European or North American markets, greater profits are rarely a factor in investment decisions.

Abraham Kasinski, founder and president of Copaf, a leading car parts company, has chosen to locate his next factory in Europe rather than in Brazil. Kasinski may build a \$100m factory in Portugal or Ireland. Productivity and efficiency will be higher and the technology more advanced than in Brazil.

However, profits will be lower. Instead of the 24-30 month payback periods commonly seen in Brazil, Copaf may not recoup its investments for up to five years in Europe. But Kasinski says: "Our competitors are building factories in the EC and we must do the same to keep a market that took us 15 years to penetrate." Last year Staroup set up a joint venture with a Soviet company to make jeans in Moldova. This month it opens a new factory in Portugal. It is negotiating to build another in Hungary.

Ranschburg says: "The idea is to use part of the production to export jeans to the US, our most important market, using Hungary's export quota." Staroup cannot raise its US exports from Brazil, because it has reached its quota ceiling. The Hungarian factory could double Staroup's US exports to \$2m a year.

Neither do investments contribute heavily to group turnover. Pao de Acucar, Brazil's largest supermarket chain, was among the first companies to set up abroad, opening a store in Lisbon in 1970. It now domi-

nates Portuguese retailing. Its sales are 15 per cent of the chain's total turnover of \$2bn. Subjective factors are important in markets where price is not always a key factor. Foreign investments bring added confidence, reliability, stature and prestige. Bresser Pereira, Pao de Acucar's general director, like many others, has found that greater contact with foreign markets has taught valuable lessons that have improved the parent company's operations.

For instance, the Portuguese operation has access to abundant and relatively cheap computer equipment, so it uses computer technology more intensively than the Brazilian parent. Brazilian government policy virtually prohibits imports of advanced technology to protect local companies making over-priced obsolete imitations of foreign products.

Portugal is a test-ground for new management methods. Bresser says: "Most of our modern administration techniques were first tried out in Portugal and then applied in Brazil." Pao de Acucar began its policy of decentralised management in Portugal, where stores operate virtually as independent units. The company draws heavily on developments in the US. Its Brazilian warehouse stores were closely

modelled on the first US warehouse stores and now it is following the US trend away from centralisation.

Says Bresser Pereira: "We were tempted to open a store in Cincinnati, but we realised we had no competitive advantage and little chance of success." Instead, it has opened stores in Eastern Europe and Angola, where efficient management is virtually unknown.

Two companies have suffered badly from their foreign ventures. Graduate Electronics SA, a major consumer electronics company, admits to elementary mistakes when it set up a subsidiary in Mexico City in 1970. Generous investment incentives attracted Graduate to Mexico. But the venture folded in 1982, when the Mexican government revoked many of the subsidies and devalued the currency.

Getulio Reis Arrigo, the company's vice president for finance, says that it was an interesting experience. "We know now that it is not good enough just to watch production and sales. You have to adjust to local culture, watch the government and watch for sudden changes."

Any executive at a foreign multinational with operations in Brazil would have told Globo, the same thing. Rede Globo, which claims to be the

world's fourth largest TV network, is retreating from Europe after a costly battle to establish itself in the anarchic Italian market in 1985.

Globo was apparently unprepared for the vicious competition from Silvio Berlusconi, the Italian media magnate. To avoid similar pitfalls, most Brazilians have teamed up with local partners - a significant departure from established customs. Brazilian companies are still tightly-controlled by autocratic founders or their heirs who avoid partnerships in Brazil.

Yet in most cases, management of overseas units is in the hands of locals trained by Brazilian executives. Curiously, Brazilian companies' ability to prosper with inflation of almost 60 per cent a month may add a little edge to their foreign operations. Rampant inflation peps up efficiency by making companies aware of the cost of waste, whether of time, stocks or money. But Brazil, suffering a heavy debt burden and worsening capital flight, is hardly in a position to permit any unnecessary outflow of foreign currency.

Thomas Felsberg, a lawyer specialising in creating overseas subsidiaries, says the Central Bank "is against [investments] but officials are realistic. No one is blind or stupid."

Companies can legally transfer capital abroad in several ways.

First, they can legally sell Brazilian new cruzeiros to Montevideo, where they are converted to hard currency at the black market rate - currently half the official exchange rate. Uruguay has no exchange controls, so the funds can easily be transferred anywhere in the world. Second, companies can buy gold and exchange it for currency at the Central Bank. But gold is priced at the black market exchange rate.

Finally, investors can try to establish itself in the winning approval for conversion at the official exchange rate. Private companies' applications are rarely approved. Bankers suspect that some companies are set up with capital accumulated offshore through years of fiddling export and import invoices.

Ironically, multinationals based in Brazil can freely remit dividends and repatriate capital through the official exchange rate, subject to withholding taxes. This year a net \$3bn in dividends and foreign capital are expected to leave the country. Last year Portugal and Brazil opened a \$300m reciprocal credit line to finance investments.

No Portuguese investor of note was interested in Brazil, but hordes of Brazilians were only too happy to invest in Portugal with currency bought at the official rate. Approvals have been delayed as disapproving bureaucrats comb through proposals looking for cowboys. Some companies are mounting cheaper and more imaginative alternatives, usually involving combinations of loan and equity financing.

Grupo Gerdau, Brazil's largest private steel producer, agreed in October to buy Canada's Courtice Steel for \$62m. It will only put up \$7m and will borrow the balance locally against Courtice's annual sales of \$85m.

Copaf's \$100m factory will be financed with a parent company equity stake, EC loans and grants, government incentives, a partnership with local investors and some bank financing. The banks will probably retain control through judiciously-drafted company statutes. It is perhaps no accident that many investors are of immigrant stock.

Bresser Pereira said his company's decision to set up in Portugal was "an emotional thing - the boss is Portuguese who became very successful in Brazil. He wanted to be successful in Portugal as well."

## Management abstracts

Walking the tightrope: supervisors. *W. Wood in Work Management (UK) Jun 89 (5 pages)*

According to a recent survey of 1,500 supervisors, little has changed in supervisor training in a quarter of a century because, apparently, half receive no formal training and most regard training provision as poor or very poor, 70 per cent do not believe that managers take enough interest in their personal development and, although ambitious, over half expect no more promotion. Charts the perceived difficulty of, and satisfaction reported from, their various responsibilities and adds some quotes; suggests that managers give this article to their supervisors as the basis for discussion.

New Technology: the cost of thinking. *D. Weatherall in Management Services (UK) Jul 89 (3 pages)*

Asserts that the cost of thinking (gathering and interpreting information to make a decision and then managing its implementation) is increasing along with computer power and software complexity, i.e. newer, powerful systems cost more and so do the people who have to be trained to operate them. Believes the solution is to insist on simplicity and gives advice on achieving this, i.e. insist on proper justification for all IT expenditure.

The dark side of executive relocation. *C.C. Pinder in Organisation Dynamics (US) Spring 89 (11 pages)*

Reports extensive research into what moving does to executives (and their wives and families). Sees relocation as a prime example of the situation in which the interests of the employer invade the employee's personal life, and suggests these responsible should consider the human costs of transfer policies.

Job appraisals: what is your most important job function? *M. Kroll + W.L. Wright in Personnel Administrator (US) Jun 89 (4 pages)*

Criticises job appraisal schemes for giving equal weight to each of the factors assessed, when subordinates want to know what really counts with their particular boss. Since different managers may (a) have different priorities and (b) not be completely clear themselves about relative weights, suggests that a systematic procedure is required to obtain a given manager's weightings; recommends "adaptive conjoint analysis" - based on selecting preferences within pairs of judgments; indicates, but does not fully explain how it works, and refers to, but does not identify, appropriate computer software for processing the data.

Incentive travel: what do winners really want? *A.E. LaForge in Successful Meetings (US) May 89 (7 pages)*

From a survey of incentive travel users, distinguishes between different age groups and their particular values; considers how, therefore, these values will influence their views of incentive programmes and - in turn - be used to develop such programmes. The over-50s, being "traditionalists" (a term culled from the motivational theories of Morris Massey), place great emphasis on the perceived value of the trip; the under-30s, challengers/rejectionists or synthesizers - depending on age - stress updates on how they are doing in the incentive programme - this being followed by recognition.

How to manage change effectively. *D.L. Kirkpatrick in Training & Development (UK) May 89 (3 pages)*

Discusses principles for the management of change so as to eliminate or overcome resistance and gain a high degree of acceptance; it needs empathy, to understand why people resist or resent change; communication of the change and the reasons for it; participation, to encourage input from people affected by the proposals. Presents a checklist for assessing one's own attitude to change.

Keeping adults interested in training. *M. Rigg in Transition (UK) Jul 89 (3 pages)*

Summarises a recent Policy Studies Institute survey, spanning all educational levels, on factors that keep adults interested in training and stimulate their either to undertake it for themselves or to participate willingly in courses provided by their employers; also analyses why 40 per cent of respondents did not consider any further training to be worth investigating, e.g. they felt they were too old to benefit from it.

These abstracts are condensed from the abstracting journals published by Andrew Johnson Publications. Licensed copies of the original articles may be obtained at a cost of 15 each (including VAT and p.p.c.) with order from Andrew Johnson, London, W14 9JF, Tel: 01-834 5555.

## SALES AND TRADING

## O.T.C. OPTIONS SALES

Our client, a very prominent global banking group, requires a senior sales executive to augment their existing trading activity in the interest rate and currency options markets. The ideal candidate should already have a thorough knowledge in these products gained primarily in over the counter markets and is currently employed servicing client needs in the U.K. region. A very attractive financial package can be negotiated by the person who can demonstrate this ability.

## FRN/ASSET SWAPS MANAGER

A senior portfolio manager is required to actively trade Libor + investments in various currencies. The position also requires additional skills in developing new structured products and the ability to communicate in the German language would be desirable.

## HEAD OF EUROBOND TRADING

A position has been developed for a eurobond trader to establish a secondary market role for a progressively expanding institution who, to date, have been mainly active in eurodollars and yen instruments. The ability to show leadership of a small team is a prerequisite.

## EUROBOND SALES

We have several clients requesting sales executives for all relevant products covering any geographical location and with at least eighteen months' experience.

For further information please telephone 01 724 4133 or write enclosing your CV to: 2-9 Macclesfield Avenue, Basinghall Street, London EC2V 5BT.

Recruitment Consultants

ADAM PEN  
Associates Limited

## Credit Lyonnais Rouse Limited

Assistant  
Financial Controller

Salary £24,000 plus bonus plus car London based

Credit Lyonnais Rouse Limited is a subsidiary of a large international Bank. It is one of the leading futures brokers and dealers in London with offices around the world. The Company is regulated by The Association of Futures Brokers and Dealers and The Securities Association and is a Member, directly or through its subsidiaries, of most of the principal futures and options exchanges internationally.

Following internal promotion of the existing incumbent, the Company is now seeking to recruit an Assistant Financial Controller who will work in a small but demanding accounting team. He/she will have specific responsibilities including Regulatory compliance accounting; accounting for overseas branches and subsidiaries and ad hoc financial projects. The position will offer the successful applicant an opportunity to work in a profitable, entrepreneurial City environment.

Applicants, aged around 25, should preferably be qualified Accountants although finalists may be considered.

The remuneration package will include participation in the Company bonus scheme and other attractive benefits including a Company car.

Please reply with full curriculum vitae to:

Roger Atkinson at Credit Lyonnais Rouse Limited, International House, 1 St Katharines Way, London E1 9UN.

SALES-MARKETING MANAGER  
INSTALMENT CREDIT

TO £50,000 PLUS CAR

A key position with prospects of a Board appointment in 2-3 years. We are a member of the world-wide Hitachi group and an established finance company in the UK, undertaking a wide range of instalment credit lending, primarily corporate, but with a growing consumer business. We have a well established reputation for innovation, reliability and quality of service, and an expanding rapidly.

The Sales and Marketing Manager will head up the company's national sales force, and will be responsible for developing and marketing new products. Considerable travelling will be involved within the UK.

The successful candidate will be aged 28-40, preferably a graduate or professionally qualified, and will have a wide-ranging sales and marketing experience at a senior level with a leading finance company. The ability to design and successfully market new financial packages is essential, plus a capacity for independent operation.

We offer a high basic salary, an annual bonus and a company car, also contributory pension, free life assurance, family health scheme, assistance with removal expenses if necessary, and excellent prospects for career progression.

Please write or telephone for an application form to:

Mrs Jane Howard  
Secretary to the Director & General Manager  
Hitachi Credit (UK) PLC  
Hitachi Credit House  
Stables Courtyard  
Church Road  
Hayes  
Middlesex UB3 2UH  
Telephone: 01 561 8486



## EQUITY STRATEGIST

An opportunity to play a key role in formulating equity investment strategy within a major international securities house.

An experienced equity market professional is sought to develop and communicate investment strategy to an expanding domestic and European client base. This important position will offer significant freedom and scope to originate ideas.

Reporting to the Head of Research you will have responsibility for the development of strategic recommendations concerning currencies, markets and sectors. Working closely with a team of analysts and sales people you will have regular contact with major clients.

You should have a strong academic background and at least five years relevant

experience, preferably as a generalist, assessing economies, investment flows and stock market trends. You should possess strong oral and written communication skills. Fluency in a European language would be an advantage.

The position offers a highly competitive compensation package which includes full banking benefits. If you would like to be considered for this appointment, please telephone Louise Gore on 01-222 7733 or write to her at John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.

John Sears  
and Associates

A MEMBER OF THE SMAC GROUP

## Managing Director

The Company: 2 Mill turnover. 3 years old. Expanding. Located WC2. Supplier to print and advertising. Staff 8. The Job: To take full daily responsibility. Improve profitability. Negotiate further finance.

The Person: Ambitious with entrepreneurial skill and no nonsense financial knowledge. Easy to get along with. The Package: 30,000 start, car and expenses, share option. Next step: Full CV to Box A1418, Financial Times, One Southwark Bridge, London SE1 9HL

1990  
YOUR CRUCIAL YEAR?

Changing your career?  
Finding employment?  
Taking vital exams?

NOW IS THE TIME to consult us for expert assessment and guidance. Free brochures:  
● CAREER ANALYSIS  
● 90 Questions Plan, W1  
● 01-935 5452 (24 hrs)

SALES  
MANAGER

An experienced Polish Sales Manager (degree in Law, fluent in English and French) would like to become a representative of a serious foreign firm in Poland. Write Box A1421, Financial Times, One Southwark Bridge, London SE1 9HL

ARE YOU  
FRUSTATED  
AT THE  
LACK OF  
VISION  
IN YOUR  
BANK?

Finance Efficiency Consultants is a well established Australian firm of operational consultants which already has an exceptional client list in the United Kingdom within the financial services industry.

We specialise in operations and methods with particular emphasis on improving quality in combination with significant reductions in operating expenses.

You will need to have extensive experience in a bank or building society and be looking for a chance to work independently and at a senior level.

Naturally salary and benefits will be set to attract the right person so your enthusiasm and skill will be the key.

Please submit details and C.V.'s in writing to

Mr E Chamberlain  
"Highroad"  
Fairview Lane  
Wrotham  
Kent TN16 7BN  
Fax No. (0732) 824107

FECS

## INTERNATIONAL APPOINTMENTS

## OPERATIONS

United States based investment management firm seeking an individual for its trade-processing operation located in London. A comprehensive understanding of registration and clearing procedures in the United Kingdom is required. Send resume in confidence to:  
P.O. Box 604, Orinda, CA 94563 USA

## TRADERS

United States based investment firm seeks experienced UK equity traders for its London office. Send resume in confidence to:  
P.O. Box 604, Orinda, CA 94563 USA

## LEGAL NOTICES

Re: Orders of 1989

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION

IN THE MATTER OF  
SPP HOLDINGS plc  
AND  
IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court (Chancery Division) dated 11th December 1989 confirming the cancellation of the Share Premium Account of the above named Company standing in the sum of £2,577,282.57 was registered by the Registrar of Companies on the 20th December 1989.

Dated 3rd day of January 1990.

Daniel Arnold Cooper  
12 Grosvenor Place  
London  
EC4V 3AD

Solicitors for the above named Company.

## PERSONAL

PUBLIC SPEAKING Overcome the fear and recover from public speaking. Phone Leadership Skills Training. 920 216

## ART GALLERIES

## MARLBOROUGH

6 Albemarle Street,  
London W1. LYNN  
CHADWICK New  
Work 27th January  
1990 Mon-Fri 10-5.30  
Sat 10-12.30  
01-629 5161.

THE COMPUTER  
MARKETPLACE

Will appear every  
THURSDAY

For all advertising  
information

Please Telephone  
Simon Enefer  
01 673 5593 or  
01 407 5755  
Fax 01 673 3079

## ARTS

## Peak performers and choreographic chasms

Our dance critic, Clement Crisp, looks back on 1989, a year which saw Rudolf Nureyev leave the Paris Opera, the retirement of Natalia Makarova after a triumphant return to Leningrad, and a new name and home for Sadler's Wells Royal Ballet.

It was a year of peaks and chasms, a few arrivals and more departures. We mourned the passing of Robin Howard, who made modern and post-modern dance possible in Britain. Mikhail Baryshnikov quit American Ballet Theatre and Rudolf Nureyev left the Paris Opera. Natalia Makarova returned in triumph to her native Leningrad and then gave up dancing. Maria Almeida and Jonathan Cope announced that they would leave the Royal Ballet at the end of the season, and young Darcey Bussell took the stage proudly as the heroine of MacMillan's new *Prayer of the Pagoda*. London Festival Ballet, as English National Ballet rejected four decades of history with its name, and lost three notable dancers - Trinidad Seviliano, Mats Skoog, Patrick Armand. Sadler's Wells Royal Ballet learned that it would acquire a new name and a new home when Birmingham pulled off a coup by inviting the troupe to take up residence there next year.

At Covent Garden there were two major arrivals in the repertoire: Makarova's staging of *La Bayadère* provided meaty drama and meaty dancing; MacMillan's *Prayer of the Pagoda* was a classical show-piece that brought a sense of first importance back into the theatre. It also showed how dance's academic language can still sustain drama, and that a new generation of dancers - Darcey Bussell and Viviana Durante at their head - hold hope for the 1990s.

Balachine's *Rubies* arrived in the repertoire in a puny season not best suited to local tastes. Ashley Page's *Piano* did no service to Beethoven's first piano concerto or to the idea of a renewed classic style.

In matter of its musical identity, the Royal Ballet was schizoid. Early in the year *Romeo and Juliet* was conducted by Bernard Haitink with extra musicians, lush sound, and wonderful performances from a cast plucked from the best of the National Ballet, but always been inspired by fine playing and vital interpretation. We must contrast that with Brummage's effects in the *Bayadère* score - why not trust Minkus' period manner in orchestration? - and with evenings of leaden musical competence that sapped the life from ballets and dancers.

Guest artists did much to enliven the Covent Garden year. Makarova took her farewell to ballet in the West with two luminous portrayals of Juliet. Julia Bocca, her direct, Romeo. Bocca returned in fiery form - as dancer and actor - in *La Bayadère*, and inspired in Viviana Durante and Deborah Baxby expectative performance. Nothing this exceptional dancer does is without psychic vitality and physical élan. Alitai Assylmuratova arrived like

some Eastern divinity to show why the role of Nikiya is so revered in Russia, with Faroukh Ruzimatov brooding and agonising as her partner. Sylvie Guillem, a "permanent" guest, has offered prodigies of acrobatic technique at the expense of the roles she has danced. A notable gift is dissipating itself. Laurent Hilaire, briefly and handsomely appeared in *Onegin*.

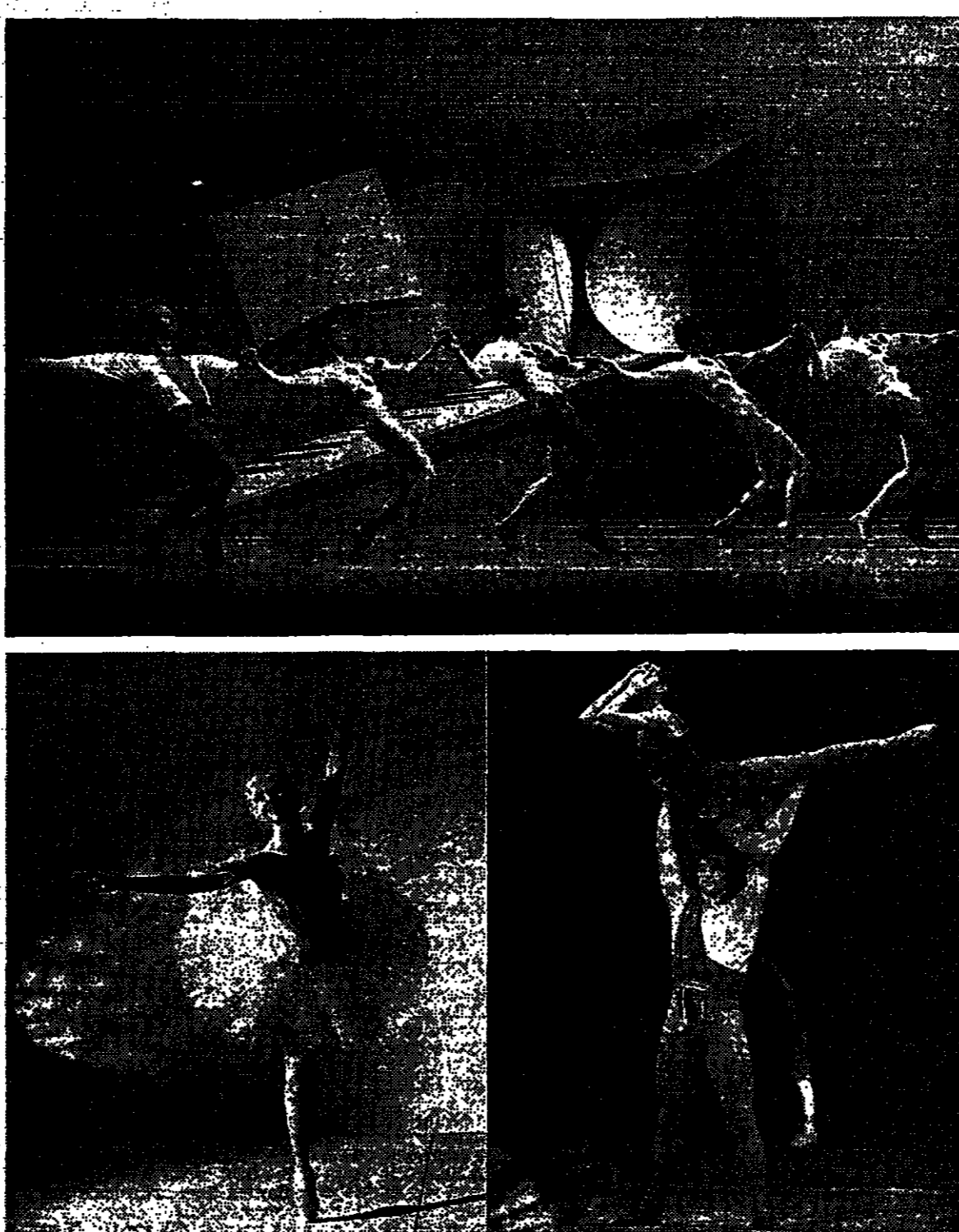
Performers of the year, besides Darcey Bussell, and Viviana Durante, include Jonathan Cope (at his best as the hero of *Pagoda*) and Deborah Bull, with Errol Pickford bounding in the steps of Baryshnikov and Edward Villella in *Rhapsody* and *Rubies*, and proving a perfect G.R. Sinclair in *Enigma Variations*, wherein Jonathan Burrows was excellent as Stuart Powell. But this sensitive work, and *A Wedding Bouquet*, brought cause for alarm the preservation of the Ash-ton repertoire depends upon interpretation being idiomatic, and both works looked unkempt.

For Sadler's Wells Royal Ballet the year was one of continuing good fortune, crowned by Birmingham's invitation to set up home there next year. The revival of Geoffrey Cann's *Léonore* reassessed the choreographer's power to create potent images (with Philip Prowse's design, as usual, among the very best of the year). Young choreographers Vincent Redmon and William Tuckett created piece worth seeing, and alone among British companies, SWRB showed that our dancers can tackle Balanchine with honour. The stagings of *Theme and Variations* and *Divertimento No. 15* were sure, with Miyako Yoshida and Petter Jacobsson deserving highest praise.

In a Covent Garden season, SWRB presented Elizabeth Maurin and George Lencu as valued guests in *Sleeping Beauty*, the company also gave the first performance of David Bintley's full-length *Hobson's Choice*. Danced with entire devotion by its cast - Michael O'Hare superb as the hero - it missed not one predictable trick (except perhaps a doggie with a bandaged paw) in inviting audiences to love it. And they did.

Among other Royal Ballet activities, the School presented *Les Pâtisseries* and *Two Pigeons*, and as choreographic ventures I admired Jonathan Burrows' post-modern "dull morning cloudy mild" at The Place, and at Riverside Studios a mad moment by Simon Rice (rightly entitled *Music* as its cast grimaced and fidgeted and made witty dance), and a student piece, *Treble Back*, by Matthew Hart from the School. All these novelties told of creative imagination.

The renamed English National Ballet seemed to have lost its audience with its former title. A season at that, involved spot the Dominion Theatre was poorly attended, and Peter Schumann's version of *Napoli* (his second act clouded with dry legs and unnecessary variations of the text) looked less than the master piece that it is. The bright moments came with star dancers: Ekaterina Maximova in a single and impec-



Top, the Rambert Dance Company's *Cinema* (choreography by Richard Alston); right, Nadezhda Pavlova and Irina Mukhammedova in the Bolshoy's *Spartacus*; left, Lyudmila Semenyaka in *Sleeping Beauty*, part of the Bolshoy's six-week season at the Coliseum

the performance of *Onegin*, and Lynn Seymour at her most heart-tearing in a revival of MacMillan's one-act *Anastasia*, and in *Onegin*. During a Festival Hall season Ronald Hynd's version of *Coppélia* was danced with utter charm by Trinidad Seviliano. Christopher Bruce provided an admired version of Stravinsky's *Symphony in Three Movements* for the company.

With undimmed enterprise the Rambert Dance Company went on staging new works, offering new

design, new music. In a Wells season, and as part of the Almeida Festival, this constantly adventurous troupe showed that innovation is not necessarily forbidding. Richard Alston's new *Cinema* (with bold design by Allen Jones) and *Pulau Dewata*, the reworking of his *Mythologies*, *Ember* and *Okazawa* strongly crafted by Siobhan Davies, Mary Evelyn's *Cabre*, pieces by Cunningham and Trisha Brown, told of a company alert, with artists - led by Amanda Britton, so pure

in line, and the powerful presences of Mark Baldwin and Paul Old - who provide the sharp focus in dancing that makes the Rambert image so potent.

London Contemporary Dance Theatre knew a traumatic year. It was tragically marked by the death of Robin Howard, while Robert Cohan, the company's other founding figure, took his effective departure from artistic command with an evening of new choreography at the Queen Elizabeth Hall. Admirable

in line, and the powerful presences of Mark Baldwin and Paul Old - who provide the sharp focus in dancing that makes the Rambert image so potent.

London Contemporary Dance Theatre knew a traumatic year. It was tragically marked by the death of Robin Howard, while Robert Cohan, the company's other founding figure, took his effective departure from artistic command with an evening of new choreography at the Queen Elizabeth Hall. Admirable

was his *Metamorphosis*, in which Darshan Singh Bhuller peeled off layers of clothing to reveal layers of feeling. Bhuller contributed new works to the repertoire, as did Jonathan Lunn, and Dan Wagoner arrived from America as artistic director and producer of pieces. But for these columns, LCDT's creation of the year, and one of the most memorable pieces of 1989, was Kim Brandstrup's *Orfeo*, in which an elegant combination of contemporary dance and Baroque manner, fine design by Craig Givens and a fine score by Ian Dearn, provided a coherent view of the myth, with excellent performances from Tracey Fitzgerald, David Hughes, Kenneth Sharp, Jonathan Lunn. That in everything they danced, LCDT's artists were generous and exhilarating, is an annual accolade.

About Scottish Ballet, I record that the company staged a version of *Petrushka* by Oleg Vinogradov, director of the Kirov ballet, and acquired some Kirov divertissements. The company also acquired a *Peter Pan* from Graham Lustig, an enterprise unwise in every respect, though Vincent Hanam as Peter saved his honour as an artist.

Northern Ballet Theatre presented a new triple bill which did not arouse Alastair Macaulay to any enthusiasm in these pages: London City Ballet gained dear *Graduation Ball*, toured tirelessly, and showed us a half-baked *La Traviata* which, with more time in the creative oven, will serve well for LCB's devoted public. It benefited from serious interpretation by Kim Miller and Edwin Mota.

After 16 years absence, Paul Taylor came back to London and a new generation of viewers learned why his dances and his dancers are so loved. The Taylor magic fuses imaginative, daring, musical sensibility, unerring theatrical wisdom and a movement language that looks constantly fresh. His works can be joyous or bleak: they involve us utterly, and we are grateful. The Old Master, Merce Cunningham, brought new pieces that find him still exploring and refining his art. His sound-tracks on this visit seemed dated when set against the freshness of his movement. Pilo-bolus also came to London, ideal for those who can watch such activities without the suspicion that there must be something better on the television.

For the post-moderns there was much to admire in the work of Wim van der Keybus from Flanders, where danger and dance went hand in hand as bricks were thrown and movement edged near the precipice of chaos. Laurie Booth proved that our local New Dance is alive and kicking, and curled in magnificent form through his own *Terminus*.

*Terminus*. Siobhan Davies did not look at her creative best in a programme from her troupe, Rosemary Butcher produced a dull batch of ecological pieties; various other groups did their own inconsiderable thing without raising the artistic temperature. (We could do with a

Greenhouse effect in dance.) Worst event of the year was an invasion of French "modern dance" troupes, whose intellectual pretensions were matched by malformed creative ideas. The many of dread names needs no listing here, except to note that a vessel with the Groupe Emile Dubois makes one long for the dentist's chair.

Welcome visitors included the Hungarian National Ballet to Covent Garden; rather less welcome another Hungarian troupe - from Győr - with some Eastern bloc Béjartary and that inescapable Magyar delicacy, *The Miraculous Mandarin*. The Gulbenkian Ballet was happily seen at the Wells, as was the Cumbre Flamenca ensemble, with the glorious La Chana's heels drumming and purring. There were Zarzuelas at the Wells, and the dis-appointing Spanish National Ballet at the Edinburgh Festival, which also offered Johan Kresnik's ferocious blood-spattered *Macbeth* as a potent antidote to the banalities provided by the Houston Ballet.

Dominant visitors of the year were, of course, the Bolshoy Ballet. A Coliseum season brought six weeks of nobly-scaled dancing, which means not just the block-busting energies of *Spartacus*, in which Irina Mukhammedova led a prodigious cast, but the refinement of Semenyaka and Fedotov in a fragment from *Le Sylphide*, Bessmertnova and Semenyaka alone in Gri-gorovich's distillation of *Giselle*, and the troupe showed itself capable of the subtlest as well as the most triumphantly positive dancing. Mukhammedova made an joyous appearance in Nottingham with the Royal Ballet of Flanders, zipping in highest spirits through the company's lively *Don Quixote*.

Other foreign reports concerned the idiomatic revival of Massine's *Les Presages* by Tatiana Leskova for the Paris Opera Ballet, and the confusing *Tanzschul* that Jiri Kylian made for that same company, marvellously led by Laurent Hilaire. In Paris, the bicentenary of the Revolution had one of its oddest celebrations in Béjart's "1789", which involved 50 bicycling Chinese, an Indian dancer, and a passing nod at pollution. Of course New York City Ballet, in dazzling form, shed light in Paris and Glasgow; the company's School of American Ballet joined in a unique session at the Holland Festival with Leningrad's Vaganova School, which brought honour to both. In Leningrad I saw Makarova return to her native theatre and the hearts of her audience, and dance her farewell. In Brussels, Mark Morris produced choreographic gems in two sets of *Lied-schneider Walzer*, and then gave Baryshnikov an intriguing invitation in a commentary on the Hollywood film *noir* of the 1940s.

Thus 1989. Convulsively uneven, it contained signs and portents for a difficult decade to come, whose chief conceit must be the extension of the academic dance in the creation of classic ballet and true classic performers. The task, said Ingres, is not to invent, but to continue.

## A revolution in television? I should be so lucky . . .

In one way it was entirely fitting that we should mark the end of the '80s and the start of the '90s by watching Kylie Minogue dressed in a mini rump suit and a pair of Mr. Wolf's old shoes rapping "I should be so lucky" while dancing a one-step. At the side of the BBC1 set was Minogue's competitor Clive James, wiggling his pelvis in an embarrassed '80s manner and determinedly sustaining a rictus of bombast for whenever they should cut to camera.

This is a fair thingum poo these days, our Clive, willing to go to any lengths, and any depths, for the sake of another laugh. On this particular night his eyes, which have been steadily

receding into his skull for several years, had virtually disappeared by midnight, making him look more than ever like a Beardsley homunculus. The Australian flavour of the celebration was fitting because, as the '90s were drawing to a close, the BBC was discovering to its astonished delight that it could attract its highest audience with an Australian phenomenon called *Neighbours*, which starred the diminutive Minogue.

BARB audience figures for the recent week on record (ending December 31) show that slots No. 1, 2, 3, 4, and 5 in the BBC's list of top-rated programmes were filled by the episodes of *Neighbours* shown twice each weekday on BBC1.

Since they are made in something approximating to English, and cost a fraction of originating their own material, the only prospect of a slacker in the flood of Australian soap as the '90s proceed depends upon the current disasters in the Australian television industry growing even worse. That is on the cards, given the chaos which has resulted from the inflated prices paid for Australia's commercial broadcasting franchises, though the production companies which make the soaps may survive.

It is a pity that Mr James has moved to television because the Australian soaps and his talents as a columnist were made for each other. His

wonderful wise-cracking style would provide an ideal commentary upon such billboards as *Neighbours*, *Home And Away*, and *The Young Doctors*, and his intimate understanding of dummy spiders, tinnies, eskies and so on would provide invaluable contextualisation. As it is, we shall simply have to attempt the job for ourselves, with no expert knowledge, and this column, will be devoted, some time in the new year, to a study of a few weeks' episodes. This should not be taken as a sign that the FT's Wednesday television column will be altering its approach during the '90s. On the contrary, the more television there is, the more sense it seems to make for

newspaper critics to concentrate on two functions: previewing programmes in order to suggest what may be worthwhile, and writing in retrospect, on broad categories, at some length, in an attempt to identify and comment upon television's major themes.

It is only too easy to look back over any 10-day period on television (particularly the last 10 days, which have catered for an audience supposedly consisting of old-fashioned family groups) and pour contempt upon the entire medium. There was certainly a lot of familiar old stuff around. Once more Bing sang "I'm Dreaming Of A White Christmas." Yet again Clark Gable told Vivien Leigh "Frankly my dear, I don't give

a damn." For the umpteenth time the Marx Brothers harmonised in "Hail, hail Freedom!" For the eighth year running *The Simpsons* made your teeth ache with the sweetness of its sentimentality.

But to leave it at that would be dishonest. Television at Christmas 1989 also meant the Romanian counter-revolution; the execution of the Ceausescus; the street battles fought by the Romanian people against the secret police, the Securitate; and those unforgettable scenes in the Bucharest television studios: the bizarre alliance of poets and military men calling upon Romanian viewers to turn out behind them, and then that electrifying moment when, as ITN's

reporter Paul Davies explained from inside the building, the inhabitants of the studios raised their guns on the live cameras because they were convinced that the Securitate were about to arrive via their maze of secret tunnels.

The reports we saw were brave and good, yet television as a whole still suffered appallingly from the inflexibility of its scheduling. While the 500-year-old medium of print arranges their news, as usual, to arrange their daily mixture of news, background material and entertainment in such a way as to give the greatest prominence to the electrifying events in eastern Europe, the 50-year-old electronic medium of television found itself locked even more tightly than us into its pre-ordained structures.

For example, up to Friday December 22 BBC's *Newsnight* remained with us, an invaluable place where you knew you could look at the end of each day not only for a serious and efficient summary of the day's events, but for sensible analysis and comment too. On the 22nd Donald McCormick introduced news stories from key points and then, in the London studio, interviewed down the line Vlad Borbea, a teacher who had been demonstrating that day on the streets of Bucharest. Vitaly Kobyshev of *Izvestia* in Moscow; and a Yugoslav journalist who supplied invaluable social and historical background on Romania's situation.

Then came Saturday December 23 with events building to an almost unbearably dramatic climax, and *Newsnight* simply went off the air for the holidays, staying away until yesterday. It layed space for such essential items as an Ayck-bourn comedy, a spaghetti Western and a repeat of *Yes Minister*. Channel 4's normal 55-minute early evening news also went off the air from December 22 to 27, the very days when news from Romania was at its most critical. It was replaced by programmes about angels, a racehorse, a circus and so on. No mass medium which behaves like that can expect intelligent viewers to take it very seriously as a dependable source of news and current affairs.

True, there were half-hour

news specials on both BBC and ITV, but few viewers will have noticed them except by name, and they were outweighed by the mixture of tinsel and familiar old ornaments brought down from the loft. There was also, contrary to the impressions that commentators so often give, a generous supply of well-made, middle of the road, middlebrow entertainment.

Granada's version of Nevil Shute's 1942 story *Pied Piper* was longish and slowish, and pretty far-fetched, but the same company's adaptation of Elizabeth Bowen's *The Heat Of The Day* was splendid. I can hardly praise it more highly than to say that, apart from the absence of '80s cronies, it could have been an episode of *The Singing Detective*. The lead was superbly played by the same man (Michael Gambon), the period fitted perfectly and was elicited with extraordinary accuracy, and even the atmosphere of indistinct threat would fit well into the Potter series.

BBC2 brought us profiles of Iris Murdoch, John Huston (at great length) and, in effect, Chris Evert. Channel 4 offered a look at the career of Tommy Cooper in *Just Like That!* with comedians queuing up in a - finally fruitless - attempt to explain exactly why he was seen as the professional's professional; and an enjoyable evening of archive clips, arranged as *The A-Z Of TV*.

There were ballets, too, and orchestral music, and those of us who were still missing some of the more obscure movies of Fred Astaire and Ginger Rogers from our personal collection were rubbing our hands in glee at the opportunities offered by BBC's daily offerings (*Follow The Fleet* this morning).

But none of that can make up for television's failure to bring us as much coverage of Romania as some of us wanted. As the '90s proceed, assuming that some kind of satellite service remains in operation, it will be this sort of failure by television that drives the more demanding viewer into buying a dish, because one of the central strands of the satellite operation is a 24-hour news service.

Christopher Dunkley

**move up to the most profitable spot in England**

**CORNWALL**  
"be in the best of company"  
SEND YOUR BUSINESS CARD FOR OUR COMPREHENSIVE INFO-PACK TO:  
**FREEPOST E.D.O. TRURO TR1 3BR**  
Cornwall Economic Development Office  
County Hall, Truro  
Tel (0872) 71524 Fax (0872) 70340

To advertise on the Arts Diversion pages please ring either  
Julia Carrick - 873 3176  
Jane Emma Peckless - 873 3185

## ARTS GUIDE

## THEATRE

## London

**Anything Goes** (Prince Edward). Cole Porter's slyly ocean-going 1930s musical has four or five marvellous songs and a rather Paige fading to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undeniably rare (754 8881, or 888 9428).

**Jeffrey Bernard Is Unwell** (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Katha Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2653).

**The Good Person of Sichuan** (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only do good by adopting a vicious disguise. If poverty is not combated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. Fiona Shaw leads a fine cast in a play new-minted for the 1990s, Jan 8, Jan 11-13, Jan 29-Feb 3 (825 2282).

**A Little Night Music** (Piccadilly). Fine revival by Ian Julian, the period from Chichester, of Sondheim's 1978 schlegelers version of a Bergman film. A beautiful score, composed mostly in wait-time, is touchingly performed by Lila Kedrova, Dorothy Tutin (our best work in years), Peter

## McEnery and Susan Hampshire (887 1118).

**Another Time** (Wyndham's). New Ronald Harwood play, directed by Enoch Light, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and a feminist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (887 1118).

**M. Butterfly** (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transgressive tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (578 5599).

**New York**  
**Held** (Chromies (Plymouth)). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 8200).

**Gypsy** (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belt in the Merman tradition, Tyne Daly, as the bossy, tireless and tenuous Rose, who shamelessly leads her daughter into burlesque while reflecting a personal life for herself (246 0102).

**Sweeney Todd** (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Fosse as the demon barber of Fleet Street (239 8200).

**Rumours** (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slandering doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

**Cats** (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically fine (239 8282).

**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 8200).

**Me and My Girl** (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leanness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (847 0053).

**M. Butterfly** (Eugene O'Neill). The surprise "Tony winner" for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0250).

**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in the stage-transferred from London (239 8200).

## Washington

**Annie 2** (Opera House). The American theatre is not immune to sequelitis, which plagues the other arts, and here ordains a return trip to the orphanage for Dorothy London surrounded by 16 sets, 33 actors and one dog. Ends Jan 20 (467 4600).

## Chicago

**Driving Miss Daisy** (Ortiz Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (848 4000).

**Steel Magnolias** (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (888 9000).

## Tokyo

**Kabuki**. The festive new year programmes (at 11am and 4.30pm) at Kabuki-za feature all the top stars, including several Living National Treasures. Among the highlights of the matches is a famous scene from *Benten Kiso*, where underworld hero dresses as a lady of rank to carry out a raid. Opens Jan 2 (541 3131).

At the National Theatre a triple bill featuring mainly younger actors and including Yanoze (*The Arrowhead*), an evergreen new year favourite acted in the extravagant "aragoto" style. Opens Jan 3 (585 7411). Both theatres have excellent earphone guides in English as well as English-language programmes.

## FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Wednesday January 3 1990

## Israel and the PLO

MR YITZHAK SHAMIR, the Israeli Prime Minister, has sent a clear message by sacking briefly his most dovish minister for communicating with the Palestine Liberation Organisation. Mr Ezer Weizman's exploratory contacts with the PLO were an excuse for Mr Shamir to declare that he means business when he says Israel and the PLO must not negotiate.

The curious compromise which led yesterday to Mr Weizman's partial reinstatement and the end of the Israeli coalition's latest political crisis has done little to cloud that headline message. Mr Weizman has resigned from the inner Cabinet and agreed to abide by the rules in future, and the Labour Party to which he belongs has swallowed its pride and done nothing but accept a face-saving deal. The coalition is intact and Mr Shamir, leader of the right-wing Likud bloc, will review Mr Weizman's position in 18 months. Mr Weizman, who is not only Science Minister but also a former head of the Israeli Air Force, has been treated like a delinquent schoolboy.

These events are depressing on two counts. First, they show that the Israeli Government as a whole is not going to make it easy for the Bush Administration to advance the Middle East peace process. The foreign ministers of Israel, Egypt and the US are supposed to meet in Washington this month to prepare for an Israeli-Palestinian dialogue in Cairo, but progress towards the dialogue is stalled by the incompatible positions of the two sides. The PLO demands a say in the composition of the Palestinian delegation, while Israel rejects any PLO involvement, a stance reinforced by Mr Shamir's political manoeuvring of the last few days.

## Transitory storm

On the second count, this transitory political storm has shown the unwillingness of the Israeli Labour Party leadership to stand up for a serious alternative to Mr Shamir's stone-walling on the issue of a Middle East peace settlement. Labour believes in trading Israeli-occupied land for peace, but, like Likud, it is officially

sticking to the principle that Israel should not negotiate directly with the PLO.

The fiction that Israeli officials do not deal with the PLO has become increasingly transparent since Mr Yasser Arafat, the PLO leader, recognised the existence of Israel a year ago and paved the way for the contacts between the US and the PLO in Tunis. Mr Weizman, himself a former Likud man, insists that not only the Labour Party but also the Shin Bet secret service were aware of his PLO contacts. Mr Shamir himself could be accused of negotiating indirectly with the PLO through his meetings last year with PLO sympathisers from the occupied territories, which makes the sacking of Mr Weizman and the six-month jail sentence for Mr Abie Nathan, a peace campaigner who met Mr Arafat, particularly hypocritical.

## Compromise found

Significantly it appears to have been the hawkish Mr Yitzhak Rabin, the Labour Defence Minister, who played the most important role in stitching up a compromise to keep Mr Weizman in government. Mr Shimon Peres, the Labour leader, was accused by right-wingers of being involved in the PLO contacts and seems to have accepted Mr Rabin's advice. It may be said in Labour's defence that the party has good reasons to fear the collapse of the coalition Government. In the short term a new election could produce something worse than the current stalemate on the peace process, namely a narrow government of Likud right-wingers and religious extremists.

But there are many Jews in Israel and the diaspora, and many non-Jewish friends of the PLO, who would welcome an obvious negotiating partner. As Mr Weizman is so fond of saying, you need to make peace not with your friends but with your enemies.

## A cosy cartel in the milk trade

IN MRS THATCHER'S Britain, where belief in enterprise and competition is held to be paramount, the continued existence of a government-endorsed monopoly at the heart of the country's food industry is a curious anomaly.

The five marketing boards for milk are not the only ones exercising an effective monopoly — boards for marketing wool and potatoes have also survived from the 1930s when they were formed to protect farmers' interests. But the Milk Marketing Boards, with annual turnover of more than £2bn and big interests in dairy manufacture, are by far the largest and most blatant.

The five boards (three in Scotland, one in Northern Ireland and one in Wales) have sole right to buy all the milk produced by the country's 44,000 dairy farmers, and to sell it on. The MMB for England and Wales is at the same time the largest customer for that milk, through its ownership of dairies and of the manufacturing company, Dairy Crest. And that part of the market which the boards do not actively control they organise through annual price fixing with the half dozen other users in the Dairy Trades Federation.

When Britain joined the European Community in 1973 the arrangements were approved by Brussels partly because they did not then involve such widespread commercial activity and partly because Britain argued successfully that the boards would help maintain milk sales, thus reducing surpluses.

## Competition inhibited

Since then, aspects of the monopoly — including a ban on imports of fresh milk — have been found contrary to EC rules and have lapsed. In recent years several independent-minded dairy farmers and would-be manufacturers, fretting at artificially controlled raw material prices which inhibit competition in new markets for cheese or milk-based foods, have tried unsuccessfully to challenge the system.

However, since the monopoly powers are granted by statute, they can only be abolished by the repeal of the agricul-

tural marketing acts. The Government has been noticeably unwilling to act. The Ministry of Agriculture under Mr John MacGregor, then minister, decided to leave the boards in being, partly no doubt because farmers lobbied for their retention and there was no equivalent consumer lobby for their abolition.

In the case of the Wool and Potato Boards, government funding is to be gradually withdrawn. As for milk, Mr John Gummer, Mr MacGregor's successor, appears only to have told the MMBs that while the Government sees the need for change, it is up to the boards themselves and the Dairy Trades Federation to determine its nature and speed.

## Voluntary co-operatives

This approach, as a paper from the Centre for Policy Studies rightly suggests, is not good enough. The document calls for the repeal of the agricultural marketing acts. Its authors — both farmers — also insist that the boards should be divested of their commercial activity and should be transformed into voluntary farmer marketing co-operatives.

The paper's starting point is that the monopolies are anachronistic and frustrate initiative and innovation, doing "real damage to our farm and dairy industries." Its conclusion is that their abolition would result not only in better value and greater choice for the consumer, but also in higher prices for the dairy farmer. Here they point to experience elsewhere in the EC, where under a much freer system milk product consumption and farm gate prices are considerably higher than in Britain.

The cosy cartel which exists in the dairy industry is unlikely to reform itself. The total lack of progress so far in talks initiated last year by the MMB with the Dairy Trades Federation on a more open pricing system shows how badly something more radical is needed.

When Mr Gummer took over from Mr MacGregor last July he emphasised his concern to put the consumer first. He could begin to fulfil that pledge now by turning his attention to milk.

## OUTLOOK

90

It is more than just the start of a new decade for West Germany. The basis for all forecasts for 1990 has to be 1989, a year of revolution for Europe as a whole and for Germany in particular. So while there is unanimity among forecasters for 1990, doubts are justifiable regarding many of their assumptions.

The people of East Germany decided to bid their communist interlude a determined farewell and the centrally planned economy faces its ultimate bankruptcy. The Iron Curtain and Berlin wall have fallen apart. The Federal Republic of Germany especially is feeling the impact of an immigration wave from eastern Europe.

Although such changes are inspiring, they do trigger instability and uncertainty. It is not only the pace of change in eastern Europe which is difficult to assess. Western European integration is at risk as well, a process which has been at its most vigorous during the second half of the 80s. This process in itself was probably the trigger for unease and uproar in eastern Europe.

The risk for EC integration results from the fact that the Germans might now be preoccupied by the German Question and that the British (or perhaps only their Prime Minister) might consider change in the east to be an excuse not to continue western European integration along the lines of the single European market.

The West German economy is benefiting at present from a long hoped for recovery from Euro-pessimism. The seventh year of upswing, a new phase in corporate start-ups and job creation, an almost balanced public budget, an all-time record surplus on current account and an inflation rate low enough to make the D-Mark a very attractive currency — all are achievements which are reflected in the rise of stock prices and which could be considered a sound basis for three cheers for the German economy.

Such a fine performance in 1989 should be a good starting point for a successful 1990.

Some other factors add to the chances for this year. Firstly, there is the third stage of the income tax reduction, effective in 1990. It will leave as much as DM 25bn (about 1 per cent of gross national product) extra in the taxpayers' pockets, a fact which will benefit the consumer in particular. The reform also includes a big cut in the corporation tax rate from 56 to 50 per cent, so it will also support business investment.

The influx of people into West Germany is another important factor for domestic demand. Since 1987 the West German population has increased by 1.5m to at least 62m. These people need housing, they need consumer goods and consumer durables in particular.

Extra spending is only limited by the budget of the new residents. Together with rather generous social benefits, their preparedness to seek employment actively and to work hard helps them to gain income quickly, although their average wages will be no more than half of the average in the Federal Republic. Their savings rate will be low, if not negative for some time, so the addition to domestic demand should be in the neighbourhood of 1 per cent of GNP. The effects will be disproportionately high in housing and in consumer durables.

Two factors should dampen the

Norbert Walter looks at what lies ahead for West Germany

## Uncertainty after year of revolution

economy in 1990. The first is monetary policy. The Bundesbank has been steering clear of its over expansionary course of 1986-88 for more than a year and has raised interest rates several times. Monetary expansion is down to target and almost half what it was before; the term structure of interest rates, which is slightly inverse, indicates restrictiveness. As a result of this policy, a number of interest sensitive outlays such as inventories, big consumer items and residential building will be dampened.

Another factor softening the economy is the slow-down of the world economy and its concomitants, for example the weakening of currencies of trading partners.

While the D-Mark's strength has provided welcome stability in West Germany, a further appreciation might cut severely into the sales expectations of German industry.

Not only the losses of the US dollar should be mentioned here (down by some 15 per cent from its peak in mid-summer 1989) but also a similar weakness of the pound and, possibly even more important, the weakness of the yen, difficult to understand if seen in the light of fundamental factors.

The continued upswing forecast for 1990 disguises a change of engines in the German economy. While the upturn was export driven until mid-1989 it has become a domestically led prosperity since. The main impulses will come from bullish private consumption and expanding residential construction. Investment in producer durables is likely to be the third pillar of the upward trend.

An especially uncertain factor in forecasts for 1990 is migration. If the GDR does not demonstrate a capability to reform fundamentally its political and economic structures towards democracy and an efficient market system, serious emigration from its

housing would be even more in excess of production capacities and the addition to the labour force would help to create even more jobs.

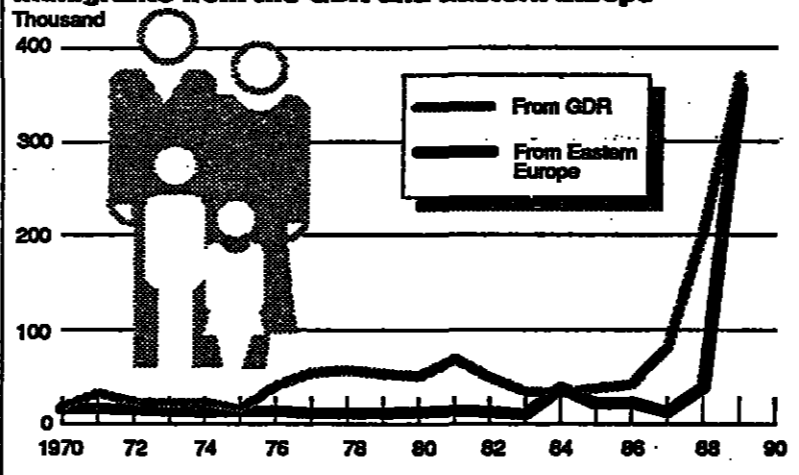
The influx would, at least temporarily, inflate unemployment numbers and place a burden on public budgets. Some forecasters fear that such tendencies, while enhancing the increase of GNP, would also lead to inflation, causing the Bundesbank to tighten its policies.

Another element of uncertainty stems from possible improvements in trade relations with the east and accompanying capital investment in various forms, including joint ventures. While the preparedness of western firms to invest in the GDR is overwhelmingly strong, it seems to be difficult to achieve the necessary changes of the legal and financial system, partly because the elections in the GDR are scheduled for as late as May 1990, and partly because even opposition groups seem to tend towards a so-called "third way" — a reformed socialism with a planned economy with some market elements. If the political process evolves in this way, the risk of a further wave of emigration from the GDR will be high as hopes fade for private capital investment.

This, however, is not my baseline forecast. In my baseline scenario, I assume immigration to total some 500,000 in 1990, including some 250,000 citizens coming from the GDR. Such an assumption is based on the belief that the move towards democracy in the GDR remains on course and that the reform of the economic order will look like promising a substantial improvement over the present one. This would be a reason for most citizens of the GDR to stay and for help to start flowing from individuals and western governments.

Another obvious risk for the West

## Immigrants from the GDR and Eastern Europe



territory looks inevitable. Accelerated immigration would be another shot in the arm for the West German economy: private consumption would increase even faster, demand for

German economy is the upcoming wage round. Long-term wage contracts in recent years and an unexpected improvement of the economy have caused unease among unions.

## West Germany

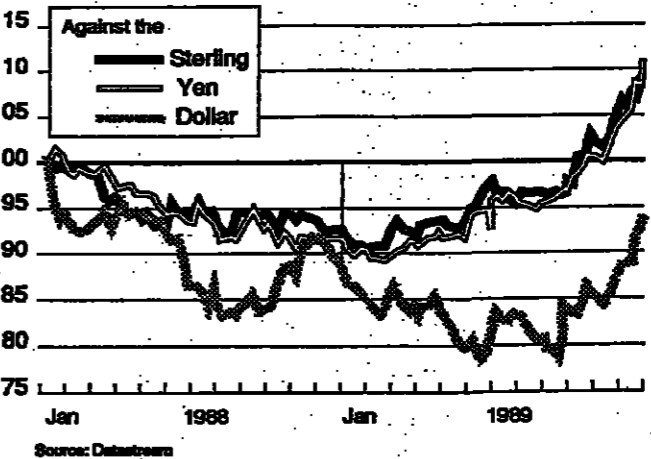
## Key figures

	Real % change over previous year	1988	1989	1990
GNP	3.6	4	3	
Private consumption	2.7	1.5-2	3.5-4	
Investment in machinery and equipment	7.5	9.5	6.5	
Exports (goods and services)	5.8	11	6	
Imports (goods and services)	6.3	6	8	
Current account (DMbn)	63.5	105	100	
Budget deficit * (DMbn)	53.5	23	40	
as percent of GNP	2.5	1.0	1.6	
Employed persons (increase in 1000)	174	340	320	
Consumer prices	1.3	2.8	3.0	

\* Central, regional and local authorities  
Source: Federal Statistical Office, own estimates

## D-Mark

1/188=100



Source: Deutscher

They are now asking for compensation and are demanding increased cuts in the working week. This seems to be an ill-advised strategy. Inflation fears are developing as a result, particularly in Bundesbank circles, and a clash between over-high nominal wage increases and a restrictive monetary policy could result, leading to a cyclical decline in 1991.

An issue relevant for the perspectives of the West German economy, as well as for many western European countries, is the progress of the single European market. After recent events one senses a loss of momentum for EC integration. This would be more than just a setback. It would imply giving up on the crucial factor triggering change in eastern Europe: western Europe's strength as democratic societies and successful market economies reflected in its unique concept of forming a federal Europe and a single market.

While German preoccupation with national affairs seems understandable at this stage, it encompasses great risks: to lose the friendship with France and to lose partners for free trade and an open financial system in the UK would not only threaten a highly desirable political balance in Europe, but mean losing sight of the most important market for years to come.

Whatever the successes of economic reform in eastern Europe, even a five-

fold trade with these countries could not compensate for "normal" growth of trade with western Europe during the next five years. It should be obvious that a continuation of the single market process is essential to the economic well-being of West Germany and Europe.

At this juncture, West Germany badly needs the help of its friends in the west to stay on track for the single market. It would be particularly helpful if a London-Bonn axis could be established as well as the functioning Paris-Bonn axis in order to balance better the architecture of the EC.

Both Governments obviously favour the free market approach and want to avoid bureaucratic solutions. They have, however, proved to be incapable of establishing proper coalitions to influence important decisions successfully at the EC-level. Instead, both London and Bonn (or for monetary policy: Frankfurt) are acting only in a defensive way, fighting suggestions from Brussels. Many issues have to be given momentum soon. The tax question is but one important issue. Others are monetary integration and the opening of borders.

The time is ripe for truly European solutions. Companies are mapping out Europe strategically already. Time is running out for politicians and central banks.

Norbert Walter is chief economist at the Deutsche Bank, Frankfurt.

## Football out of date

■ The case for a super league in English — and preferably British — soccer is growing stronger as this season wears on. If you do not believe this, take a look at the current state of the lower part of the first division.

There are five London teams in the bottom nine: Wimbledon, QPR, Crystal Palace, Millwall and Charlton Athletic. The number rises to six if you count Luton as being in or less London-ish. It may rise to seven if Chelsea go on playing the way they have been recently.

Having been at the top of the division earlier in the season, on New Year's Day Chelsea lost 0-3 at home to Aston Villa before a crowd of less than 24,000. That may seem spectacular when set against the less than 8,000 who watched Charlton being beaten by Southampton. But then turn to the second division where more than 30,000 saw Leeds draw 1-1 with Oldham.

Look more closely at the second division and some of the great names of English history and of English football (the two are not always interchangeable) are there. Not only Leeds, but Newcastle, Sunderland, Wolves, Sheffield United and Stoke City.

There are some great names in the third division as well: Birmingham, Huddersfield, Bolton, Preston, the other Nottingham and the two Bristol. Bristol City had a crowd of nearly 12,000 on New Year's Day.

Anyone trying to look at this objectively from the outside would see some anomalies here. Bristol is an affluent city which would like to have a team in division one. Why don't City and Rovers merge and go for the big time? And while it is good to see Aston Villa back in the bright lights — the club dominated English soccer in the 1890s — it would be even better to see a merger

with its immediate neighbour, Birmingham City.

Personally, I would not stop at a merger of the two Manchester clubs or Arsenal and Tottenham Hotspur. Everton and Liverpool might sit it out for a while because of their continued high standards over time, but a merger would always be on the cards.

Professional soccer would then face the same competitive pressures as any other industry. The top clubs would play in the super league, subject only to the provision that there would be relegations every year and newcomers would be allowed in.

The rest of the game would be reduced — though one might say advanced to semi-professionalism or semi-amateurism, whichever term you prefer. The sides outside the super league would play mainly regionally rather than being obliged to travel all round the country at great expense.

At best, the super league would include the top Scottish teams. There might also be a side, or sides, from Northern Ireland, and perhaps from the Irish Republic as well. The result would be to raise standards at the top and create a friendlier game lower down. And who knows? A team from the British and Irish Isles might even win the World Cup.

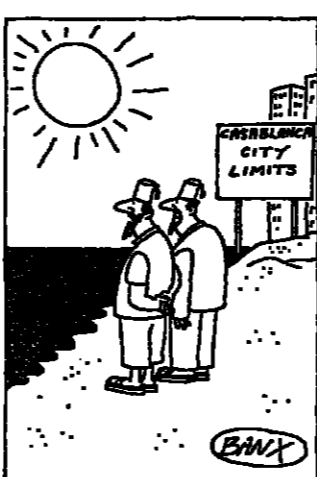
## Discrimination

■ Someone rang Gays the Word, the specialist book-sellers, the other day, only to be told: "Sorry, we can't deal with your query now. We are under-manned."

## Big boasts

■ A war of words broke out yesterday between British Aerospace and Imperial Chemical Industries as to which can

## OBSERVER



"Of all the beaches in all the world..."

correctly call itself Britain's biggest manufacturer.

The aircraft, defence equipment and car producer is running an advertising campaign claiming this title for itself. The claim is in spite of the fact that BAe's annual sales, which are running at about £2bn, are roughly 14th less than those of ICI, Britain's biggest chemical company has a market capitalisation of about £2.5bn — more than four times that of BAe.

Such details, however, were pushed by the aerospace group yesterday on the grounds that chemicals do not count as a manufacturing activity. "Our view is that you can classify under manufacturing only activities which have hard goods. The engineering components going out of the door," the company said.

These comments produced an equally snuffy response from ICI. It pointed out that in official economic statistics chemicals production, like other process industries, comes firmly under the heading of manufacturing. "The claim by BAe seems very odd to us — we

always thought we were a manufacturing company."

BAe came back later and said that the justification for its claim is that it is the largest manufacturing company in Britain. A lot of ICI's output is overseas.

## Cold cure

■ We have written before of the health-giving powers of the British onion — so much so that it is the largest vegetable in the variety. So it was good to learn that the onion came even further into its own during the recent flu epidemic.

According to the British Onion Producers Association (BOPA), an old remedy has been resurrected for dealing with colds. It comes from the 70-year-old Mrs Lilian Poulton of Ashill near Swaffham.

Poulton is the daughter of Ernest Rippington, the man who swears that his habit of eating quantities of British onions every day is the reason why he is still going strong at the age of 106.

The Poulton Patent Cough Cure requires 1 lb of British onions and 6 oz of brown sugar. Slice the onion thinly and layer in a bowl with the brown sugar sprinkled liberally between each layer. Cover and put in a warm place for 24 hours. Take a spoonful of the resulting syrup as required.

It is something to do with the thiosulphates, in which onions are rich. And even if the Poulton remedy fails to work, there is the consolation that it should keep other people away from you long enough to prevent your passing on the germs.

## Danger sign

■ Heard in a Birmingham hotel bar: "All I wanted, was a washer on a tap, but I knew I was in trouble when the plumber arrived in a shining Mercedes."

Significant Moments

OMEGA

OMEGA S

THE TRULY CHRONOMETER COUNTRY

OMEGA S

THE TRULY CHRONOMETER COUNTRY

CONTACT YOUR OMEGA DEALER

# OUTLOOK 90

## A new phase of development

### Hirohiko Okumura looks at the effect of lifestyle changes on the Japanese economy

**J**APAN's economy has entered a new phase of development, with transformations taking place in Japanese lifestyles, business activities and the industrial structure.

The view that in the 1990s Japan may see the advent of prosperity comparable to that of the United States during the so-called Golden Sixties has become popular in Japanese business circles.

Recent consumer behaviour points to a shift in emphasis from goods to services, underscored by the fact that the number of people travelling abroad each year will soon reach 10 million. Increasingly diverse consumer needs are reflected in a vast array of goods ranging from daily household products to luxury items.

On the labour front, part-time workers have increased significantly to 17 per cent of the nation's total labour force. It has become common for firms to hire employees in mid-career — formerly a rare occurrence in leading Japanese corporations.

Other factors encouraging sweeping lifestyle changes include the phenomenal rise in the number of working women, the increased use of consumer credit, and a communications revolution that has made possible round-the-clock global financial dealings.

Imports, which have penetrated the local market significantly, have eased tight product supplies and are helping to defuse upward pressure on prices.

In parallel with the changes in lifestyles, the economy is shifting from a concentration on flow variables to stock variables. Japan has realised its post-war goal of increasing per capita GNP to the point where it has surpassed that of the United States by some 10 per cent and the margin is expected to widen to 40 per cent by 1995.

On the stock side of the economy there has been a steady accumulation of financial and tangible assets. According to the Economic Planning Agency report, the outstanding balance of the nation's assets totalled 5,338 trillion yen (523.03 trillion) at the end of 1987, 15.5 times GNP — almost double the 1970 level of 2.1 times GNP.

Revenues generated from these assets made up about 14 per cent of disposable household income, representing a 2 per cent increase from ten years ago. This phenomenal increase in assets is fuelling consumer spending on high-priced items and giving rise to a wider

variety of goods and increased service demand. In response to this trend, business is accelerating efforts to develop sophisticated products, using advanced technology and superior information gathering power. As they increasingly concentrate on production of high-grade products, Japanese companies have moved offshore the manufacture of items that require less advanced production skills.

Although manufacturing jobs are expected to fall by 19 per cent of the total employment by 1995, the total value created by domestic manufacturing will not decline significantly and the feared "hollowing out" of the economy is likely to be averted.

At present, the Japanese economy is expanding steadily, in line with our medium-term outlook, which forecasts 4.1 per cent average real economic growth through the mid-1990s.

The real economic growth rate is expected to be 5 per cent in fiscal 1989 and 4.5 per cent in 1990. Compared with the 6.5 per cent reached

in the latter half of fiscal 1988, the current rate of expansion is down as much as 2 per cent. Rates of 4 per cent should be regarded as ideal, however, judging from the growth potential of the Japanese economy, especially in view of the fact that the present pace of growth is supported by private sector capital spending and consumption rather than governmental measures to stimulate it or an expanded external surplus.

A frequent topic of discussion in Japan is how long the current economic expansion will continue. I think it will continue at least through 1990 if yen exchange rates remain stable. Reasons for optimism are very strong corporate profits and the bright medium-term outlook to which most corporate managers can look forward.

A recent survey of 362 major Japanese companies by Nomura Research Institute shows that recurring profits (pre-tax profits after extraordinary items) of all industries except electric power and oil are expected to grow by an average of 14 per cent in the 1989 fiscal year and by 7 per cent in 1990. The ratio of recurring profits to net sales will edge up to 2.7 per cent in 1990, a level close to its peak. Against the backdrop of such a healthy profit performance, capital spending continues to expand, as does real personal income.

Private investment in plant and equipment is expected to increase to 9.3 per cent in the 1990 fiscal year after surging 16.4 per cent in fiscal 1989. As the capacity utilisation ratio is expected to remain high, investment to expand production capacity should remain strong. At the same time, rationalisation and labour-saving investment should be firm in industries plagued by labour shortages. The current investment boom will enter its fourth year, and capital stock in manufacturing industries will increase by 8 per

cent to 4.8 per cent from 3.7 per cent in fiscal 1989.

Japan's trade surplus declined to its lowest level in three years from July to September of 1989, and remained flat from October to December, at an annual rate of \$70bn (\$43.4bn). In the succeeding quarter, January to March 1990, it is likely to begin to expand again. We expect the surplus to amount to \$76.8bn in fiscal 1989 and \$80.6bn in fiscal 1990.

Imports should grow a firm 10.0 per cent, after a 14.6 per cent rise in fiscal 1989, on the force of strong domestic demand. Exports in dollar terms should increase by 8.5 per cent in fiscal 1990, up from 2.5 per cent in the 1989 fiscal year. In 1990, exchange rates are expected to remain relatively stable so the J-curve effect should diminish.

The current account surplus is expected to be \$90.5bn in fiscal 1990, up \$2.4bn from fiscal 1989. As a percentage of GNP the current account will continue to shrink from 2.05 per cent in fiscal 1989 to 1.96 per cent in fiscal 1990. This forecast is based on the assumption that the yen's exchange rate would bottom out at 145 yen to the dollar in the October-December 1989 quarter and turn upward in the January-March 1990 quarter, for a fiscal 1990 average of 138 yen to the dollar. The forecast for the fiscal 1989 average is 141 yen to the dollar.

With the economy remaining strong, inflation will continue to be a major concern. The expansion of production capacity and increased imports of manufactured goods, however, will produce a better balance between supply and demand, and price stability will be maintained. The Wholesale Price Index and Consumer Price Index are expected to edge up 1.6 per cent and 1.8 per cent respectively in fiscal 1990, compared with 3.6 per cent and 2.9 per cent in fiscal 1989.

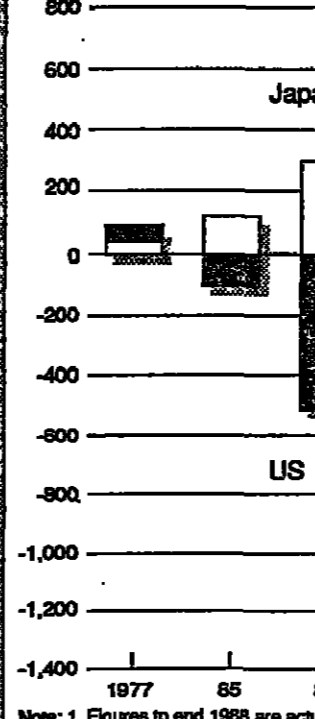
If there is any uncertainty in the short-term outlook for the Japanese economy, it is the trend of exchange rates. If the yen turns downward due to capital movement, it could push up the inflation rate as well as interest rates, and this may result in an economic setback.

If the yen's value depreciates further than assumed in this forecast, the trade surplus would expand, increasing the risk of a "hard land-

## JAPAN

### Net external assets

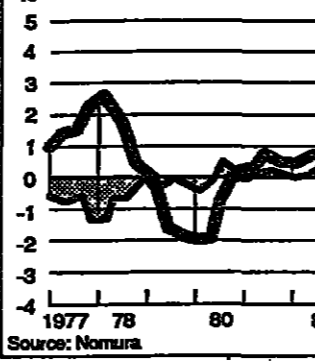
\$ billion



Note: 1. Figures to end 1988 are actual  
2. Year-end 1989 figures calculated using Nomura Medium-term Outlook for Japan and World (Apr 89) Source: NRI

### Current Account Balance / Nominal GNP

%



Source: Nomura

## Economic outlook for 1990

(year on year %)

Projected

1987 1988 1989 1990

Nominal Gross National Expenditure 5.0 6.0 7.3 6.3

Real Gross National Expenditure 5.4 5.3 5.0 4.5

Private final consumption 4.5 5.0 3.7 4.8

Private residential construction 25.7 5.3 1.2 -1.2

Private investment in new plant and equipment 10.1 17.3 16.4 9.5

Increases in private inventories 64.9 28.6 1.7 5.3

Final government consumption -0.8 2.2 1.7 2.3

Public fixed capital formation 9.4 1.2 -0.1 2.7

Exports (goods and services) 5.4 10.7 14.8 9.4

Imports (goods and services) 12.4 21.4 20.3 12.6

Contribution to economic growth, by categories of demand

Domestic demand 6.3 6.8 6.0 5.3

Household sector 3.8 3.1 2.1 2.6

Corporate sector 2.1 3.5 3.6 2.3

Public sector 0.4 0.2 0.3 0.4

Net exports -0.9 -1.5 -1.0 -0.7

Exports (goods and services) 0.9 1.9 2.7 1.9

Imports (goods and services) -1.8 -3.4 -3.7 -2.6

Industrial production 5.9 8.8 5.0 5.0

Wholesale prices -2.0 -0.7 3.6 1.6

Consumer prices 0.5 0.8 2.9 1.8

Trade Balance (\$ billion) 94.0 95.3 76.8 80.8

Exports (\$ billion) 233.4 267.4 274.1 267.5

Imports (\$ billion) 139.4 172.1 197.2 216.9

Current Account (\$ billion) 84.5 77.3 58.1 60.5

Note: Due to rounding, growth rates of the components do not necessarily add up to the growth rate of the whole.

Source: NRI

### Imports should grow a firm 10 per cent, after a 14.6 per cent in fiscal 1989, on the force of strong domestic demand

in the latter half of fiscal 1988, the current rate of expansion is down as much as 2 per cent. Rates of 4 per cent should be regarded as ideal, however, judging from the growth potential of the Japanese economy, especially in view of the fact that the present pace of growth is supported by private sector capital spending and consumption rather than governmental measures to stimulate it or an expanded external surplus.

A frequent topic of discussion in Japan is how long the current economic expansion will continue. I think it will continue at least through 1990 if yen exchange rates remain stable. Reasons for optimism are very strong corporate profits and the bright medium-term outlook to which most corporate managers can look forward.

A recent survey of 362 major Japanese

Personal consumption has been recovering from the adverse effect of the consumption tax introduced last April. Against a background of price stability and strong income growth, consumption is expected to grow at an annual rate of 4 per cent in each quarter.

The rate of wage increases in the 1990 fiscal year resulting from the spring tax offensive is expected to rise to 5.9 per cent from 5.2 per cent in 1989. Higher wages reflect rising corporate profits, a tight labour market, and higher inflation resulting from the introduction of the consumption tax. Inflation as measured by the year-on-year increase in CPI is expected to rise from 1.1 per cent in the first quarter of 1989 to 3.1 per cent in 1990's first quarter.

For fiscal 1990 as a whole, personal consumption growth should

ing" by the dollar. Our prediction is that this risk will be minimised by policy co-ordination among the Group of Seven nations. The Bank of Japan is likely to keep the discount rate at the current level of 4.25 per cent in an effort to prevent the yen from depreciating.

As Japan extends its global reach, through companies moving into foreign markets and tourists travelling abroad, reducing the price gap between Japan and other countries becomes a crucial issue. The logical step for Japan to take is to reform its highly complex distribution system, thereby lowering the prices of

imported goods and expanding imports. Japan's wholesale and retail industries are massive, employing some eleven million workers, and more streamlined distribution channels would enhance efficiency. In turn this would strengthen the Japanese economy in a way that will not boost exports but instead will stabilise prices and raise the Japanese people's standard of living.

Hirohiko Okumura is director and chief economist of the Nomura Research Institute in Tokyo and a member of the governmental Economic Council.

## LETTERS

### The basic balance in the UK and Japan

From Ken Livingstone MP.

Sir, Jeremy Hale's letter (December 28) regarding the basic balance of the UK balance of payments unfortunately conceals more than it reveals. Mr Hale argues that we may conclude that the basic balance does not matter because Japan, like Britain, has also run a deficit on the basic balance (current account plus long-term capital) in all but two years since 1978. But in this, as in much else, the issue of quantity is everything. The average deficit of the Japanese basic balance has

been 1.4 per cent of GDP since 1978. In 1989 it ran at 2.5 per cent of GDP. This deterioration led to the recent weakness of the yen and, therefore, the subsequent rise in the Japanese discount rate — an example from Japan itself of a weakening in the basic balance putting upward pressure on interest rates.

The average deficit of the UK basic balance since 1978 has been 3.4 per cent of GDP — a level two-and-a-half times as high as Japan. Furthermore, the situation has recently deteriorated seriously — the deficit

for 1988 being 6.3 per cent of GDP. The deficit for the first nine months of 1989 was 10.7 per cent of GDP, or more than four times what it was in Japan.

In short, the deficit in the UK is of a completely different order of magnitude than Japan's. These facts render Mr Hale's central argument invalid.

What is more, the example of Japan itself is that a deteriorating deficit in the basic balance puts upward pressure on interest rates.

The completely higher order

of magnitude of the UK deficit in 1989-89, puts commensurately much greater upward pressure on interest rates.

The negative consequences for British industry, particularly on investment, of such high interest rates created by the basic balance deficit are evident — a burden from which Japanese industry has not had to suffer and which is undoubtedly a factor contributing to its much greater success.

Ken Livingstone, House of Commons, Westminster

### Road rules

From Mr Alan Wheeler.

Sir, Mr Randall (Letters, December 21) calls for a better transport system and local authority enforcement of parking provisions. I agree with him in large measure, but bad driving is also a big cause of traffic congestion.

We have become a sloppy and selfish society in which vehicle owners believe they may park where they please. Yellow line restrictions are universally ignored; double parking is commonplace; pavements and bus stops are regarded as natural havens for vans, cars and lorries. Driver behaviour fluctuates from the suicidally aggressive to the terrified in nose-to-tail lines of imminent cardiac arrest.

The Morris Minor drivers among us face a dashboard of two switches, unvaried for the past 40 years or so. There must be sympathy for drivers of modern mass-produced boxes, presented with a dazzling array of fixtures and fittings and uncertain whether the ninth touch pad from the right operates the TV satellite aerial or the side-lights. Perhaps this accounts for drivers who do not signal their intention to turn, or who fail to use lights in bad weather.

Driving tutors bear considerable responsibility to teach their students considerate driving behaviour. Test examiners might usefully review the criteria for passing. But enforcement of the Road Traffic Acts is a task best done by the well formed police supported by adequate manning and powers to fine on the spot.

Alan Wheeler, 8 Heathview, Gordon House Road, NW15

### Information and insurance in the new City

From Mr Alan Benjamin.

Sir, David Lascelles raises real issues in "Questions over the City's future" (FT, December 22). I wish only to make two points — one critical to the City's future, the other an observation.

The point excluded from Mr Lascelles's analysis is that the City faces an internal threat which itself contributes to the external threats he examines. This is the crucial need for competence in information technology in every job in the future City. From support staff to senior managers, everyone will need to become competent in information handling if the City is to meet the global competition which itself will use information technology relentlessly to win prominence and attract the financial transactions — the source of the City's wealth.

Thus, the need for investment in education and training

for information technology is the highest need of all in London.

I also observe sceptically that those who have no plans to leave London at the moment, would do so without hesitation if it were shown that greater profits were available in Paris, Frankfurt or Amsterdam. They will stay if the skills in London make it the most profitable centre from which to operate. Ergo, educate and train.

Alan Benjamin, 9 The Chequer, West End Lane, Pinner

Sir, David Lascelles failed to mention the insurance industry. Since the Bank of England's own examination of London's position also treated insurance in a remarkably superficial manner, Mr Lascelles's omission may not be surprising; however, it is

worth pointing out that the insurance industry contributed in excess of 50 per cent of the total City invisible earnings in 1988, compared to only 13 per cent for banking.

With the aggressive growth of continental insurance markets, a lack of awareness of the value to the UK of our existing business is dangerous.

A particular example of the problems facing the UK non-life insurance industry may be found in the attempt by the Inland Revenue to tax reserves on a discounted basis.

This misguided approach on top of a comparatively harsh existing tax basis, if successful, would place our industry at a severe disadvantage compared to continental insurers. A.B. Wyand, CO Assurance, PO Box 400, St Helier, Jersey, UK

### Humans' wholesome relationship to animals

From Mr Bob Cooper.

Sir, In criticising humans' treatment of animals, Michael Prowse (Lombard, December 22) assumes the role of God. Farm animals are unable to speak for themselves, therefore they are to be banished from the face of the earth. That is the only logical consequence of universal vegetarianism. Mr Prowse would deny the animals their right to life.

I spent 40 years of my life farming and was in daily communion with farm animals. A sine qua non of livestock farming is that it is not sufficient to survive. Farm animals must thrive. The criteria required

are excellent health, appropriate housing or grazing and an abundance of suitable feed and water. Farm animals, unlike human beings, do not live to old age and lonely decrepitude or suffer painful, crippling diseases for years. Death when it comes is as sudden and as human as strict regulations can make it.

The world has only very limited areas suitable for the continuous production of crops for human consumption. On a much larger area ruminant animals can convert the herbaceous into milk, meat, wool and leather. One can only speculate as to what would become of

these areas without man to organise a system of pastoral production.

Man in his earliest days was like the other animals — a collector of seeds and other vegetable matter and a predator. Gradually he learned to sow and to harvest. Eventually he domesticated some of the animals he had formerly hunted. I have always understood that these fundamental changes in our condition were steps on the road to civilisation.

Bob Cooper, Orchard Cottage, Pritzel, Kendal, Cumbria

# WESSEX

## the new face in creditor insurance

There's a new face in creditor insurance — the face of Alfred the Great — who reigned and died in Winchester, where Wessex Insurance has its chief administration.

The face is new but the reputation is established because Wessex (formerly American Family) is known for its traditional values of service and its innovative approach to the needs of credit providers.

Alfred — the only English king to be called the Great — is an appropriate personification; he brought to England time management, respect for learning and the law and sophisticated forms of insurance (an army and a navy in particular).



If you would like a complimentary copy of our monograph "eight faces of Alfred" please write to: Kate Hardy, Wessex Insurance, Jewry House, Jewry Street, Winchester, Hampshire SO23 8RZ or telephone 0962 844454.



**WESSEX  
INSURANCE**

12 Masons Avenue, Coleman Street, London EC2V 5BT  
Tel: 01-606 1999 Fax: 01-606 5730

**Anthony Green & Spencer**  
Investors & Valuers  
01-935 2335

# FINANCIAL TIMES

Wednesday January 3 1990

**PLUMB CENTER**  
**WOLSELEY**  
The name behind the name.

## US LABOUR RELATIONS

### Miners' settlement may herald new era

By Lionel Barber in Washington

MR WILLIAM USERY Jr, the Federal mediator who negotiated this week's tentative agreement ending the nine-month-long Pittston miners strike, started into the TV cameras and declared: "Truly, this is a victory for collective bargaining."

These are words rarely heard in Washington, particularly during Republican administrations. But it was New Year's Day 1990 at the Labour Department, and Mr Usery seemed anxious to signal an end to the abrasive 1980s, the decade which opened with former President Ronald Reagan's decision to fire the air-traffic controllers.

Symbolism aside, the outline deal between the United Mine Workers Union and Pittston Company could have wide-spread implications for the coal industry. It seems certain, too, to fuel the debate over health and retirement benefits which are increasingly poisoning relations between management and labour in the US.

The terms of the deal will remain secret until strikers at

Pittston's mines in Virginia, West Virginia and Kentucky can vote on the accord, probably in eight to 10 days. Yet it seems clear that Pittston has achieved one of its most important objectives: a break from industry-wide contract with the once-mighty coal miners' union.

Some observers believe this could mark the beginning of the end of national contract negotiations in the coal fields. If so, it would confirm a trend in other mature industries such as steel where major employers have bolted from industry-wide agreements and forced unions to negotiate separate deals according to the financial state of individual companies.

The present arrangements in the coal industry go back to 1950, when companies agreed to provide full health and retirement benefits for miners with 20 years service and their dependents. In return, management secured the freedom to mechanise the industry, with subsequent heavy job losses.

It was Pittston's decision to



Dole: appointed commission

abrogate the 40-year-old industry-wide pact which lay at the heart of the dispute. Pittston argued that the costs of contributing to the benefit funds was hurting its ability to compete overseas. It pulled out of the coal operators' association negotiations and left other companies to pay for former Pittston employees covered by the funds (one of which is \$50m in the red because there are too few working miners to sup-

port benefits for retired union members).

Under the tentative agreement, it seems that the union has successfully pressed for Pittston to continue full health care benefits for active miners, forcing the company to drop its plan for a shared-cost plan with the union. At the same time, however, Pittston management appears to have limited its commitment to fund retiree benefits.

Here, the Federal government may have a role to play. On Monday, coinciding with the announcement of a settlement, Mrs Elizabeth Dole, Labour Secretary, said a commission would be appointed to examine how to help the coal industry fund the rising cost of health care for active and retired miners. "This issue is larger than this particular dispute," she said, "and I am committed to addressing it."

Health care costs in the US in the 1980s rose by more than twice the rate of inflation, and the soaring costs are forcing employers to take a second look at their obligations. Many

argue that some of the health care is unnecessary and point out that it is driving up the price of American products.

Chrysler, the US motor giant, calculates that health benefits account for about \$700 of the price of every car that it makes in the US. But they account for only \$220 of the price of each car that the company makes in Canada. One reason is that part of the burden of the benefits is carried by general taxes in Canada - something which still annoys in the US.

The Bush Administration is considering the idea of taxing employer payments for workers' health insurance premiums as income, but only if they exceed a fairly high amount.

The proposal is part of a general review of the health system, and could find its way into President Bush's budget to be presented to Congress later this month. If it does, labour is bound to object, underlining that health care is bound to be a divisive political issue this year.

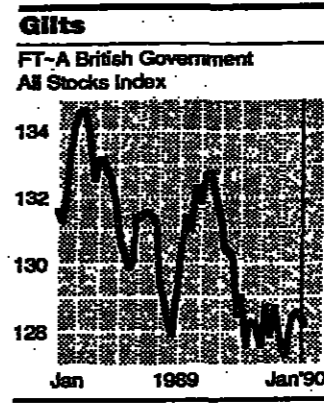
## When small is not beautiful

There is no doubt that 1989 was an exceptionally good year for equity investors on both sides of the Atlantic. Merrill Lynch estimates that Wall Street had its fourth best year in as many decades, and better returns were only achieved in 1954, 1955 and 1978. Meanwhile, WM Company says that the total returns of 23 per cent for the average UK pension fund was the highest of the decade. But one area of the stock market did not prosper. Small companies were no longer the stock market darlings, and one has to go back a very long way to find a similar period of such massive underperformance.

Dimensional, which manages a passive fund investing in smaller US companies, says that its total 1989 return of 9.07 per cent compares with a return of 30.4 per cent for the S&P 500. Although small US companies have been miserable investments for several years, 1989 was the second worst year for underperformance. In the UK, it is expected that the returns on House Govest's smaller companies index will show a similar sort of underperformance, and those fund managers who thought that the above average long-term growth of smaller companies provided a sure way of achieving better than average performance have had a rude awakening.

In the UK, at least, the hope is that it is no more than a temporary swing out of favour. After all, there have only been a couple of years since 1976 when small companies have failed to outperform the market. As a group they tend to be more vulnerable to an economic downturn than big companies, which often have a cushion of overseas earnings and cheaper borrowings, and their performance looks especially poor in 1989 because so many big companies were rerated on the back of takeover speculation. However, it would be dangerous to assume that just because the sector has performed so miserably, it must do better this year. US experience shows how unpredictable the returns on small company investing can be, and the same goes for investment fashions.

**UK gilts**  
After a dismal year for gilt investors in 1989, there is a plausible case to be made for buying fixed interest securities in 1990. The economy is slowing, the budget is still in surplus and interest rates appear to be on a downwards course. But the argument only really applies to the short end of the market. The yield curve has



been stubbornly inverted and it is hard to see much scope for long yields to fall below current levels of 9.8 per cent. Indeed the reverse seems more likely.

Equity bulls are relying on a 1990 slowdown to be followed by a pre-election boom in 1991. But a surge in public spending could prompt the end of the official repurchase programme, already curtailed by the marginal shift in favour of overfunding. And inflation in early 1991, welcome as it may be to Tory backbenchers, will be a risk at a time when even the Government expects inflation still to be around 5.75 per cent. Such prospects will particularly deter investors at the first end of the market, especially if a Labour election victory begins to seem a real possibility.

Sterling's weakness against the D-mark in 1989 did little to encourage overseas investors to buy gilts. But after its recent sharp devaluation, some analysts think it might be oversold. If it recovers in the first quarter, the Chancellor could afford to let base rates slip at Budget time, provided the news on inflation and the balance of payments is good. That, and the potential for another base rate cut, should allow the yield curve to flatten at last.

## Business rates

Do not shed too many tears for the saloons of London's South Molton Street, for the Al-Fayed, or indeed for anyone else, as they scrimp and save to pay their new business rates. True, the first revaluation of English and Welsh commercial property since 1973 has multiplied many South Molton Street ratepayers by 40 or 50 times; and some believe M&S's Marble Arch store could be looking at a near-quadrupling of its base rate bill to more than £5m in the next five years. But the Government is right to keep pointing out that overall the new system is merely redistributive, and in any case revaluation was long overdue in supplied zones of London in particular.

The Government must though try to ensure swift handling of the likely torrent of valuation appeals from companies. There are still 7,000 valuation appeals outstanding in the City of London alone from the 1973 system; and it is disturbing that some observers reckon appeal proceedings on the new values may not be fully under way until mid-1991.

## Lovell/Higgs

A cynic would say no defence document worth the name fails to contain at least one item of unmitigated optimism. Higgs and Lovell's profit forecast and asset valuation, in spite of the £137m bid from fellow contractor Y.J. Lovell, smacks a little of this syn-

## UK gilts

After a dismal year for gilt investors in 1989, there is a plausible case to be made for buying fixed interest securities in 1990. The economy is slowing, the budget is still in surplus and interest rates appear to be on a downwards course. But the argument only really applies to the short end of the market. The yield curve has

## Panama invasion damage 'cost \$2bn'

By Tim Coone in Panama City

LOSSES and damage from looting in Panama are unofficially estimated as high as \$3bn, following the US invasion last month. This would be equivalent to almost half Panama's annual GDP.

The estimate was given by Mr Roberto Maduro, President of Panama's Chamber of Commerce, in an interview published by the local newspaper El Siglo. He said the losses were greatest in Panama City and Colon, the country's two main cities, at either end of the Panama Canal.

The Colon Free Trade Zone, a big international distribution centre for Central and South America and the Caribbean was not so badly affected, however, losses reaching only "a few hundred million dollars."

Mr Maduro said looting took place in the first three days after the invasion as Panamanian law enforcement collapsed and as the US troops failed to deploy quickly in the city streets. In the main shopping centres, practically all the commercial establishments were ransacked.

No official estimate has yet

Mr Lawrence Eagleburger, US Deputy Secretary of State, set off for Panama yesterday to hold talks with the Endara government on a new US aid package. Lionel Barber reports from Washington. He will be the most senior US official to visit Panama since the US invasion last month, and was set to discuss the status of General Manuel Noriega and the lifting of US economic sanctions, imposed in 1988 during the US effort to topple him.

been produced on the cost and damages caused by the invasion, as government offices have only just started functioning again under the new US-backed administration of President Guillermo Endara.

The first withdrawals of the US invasion forces began yesterday, as a field artillery unit of some 300 troops was airlifted back to the US. This was a heavy support unit to the 24,000-strong invasion force. With all organised resistance of the Panamanian Defence Forces (PDF) seemingly finished, further withdrawals of units can be expected in the coming week.

However, senior US military officers are unwilling to specify a timetable for the withdrawal of the main invasion force. It is thought this could take several months at least, to allow time for a new local police force to be established and trained.

Sniping incidents continue and US troop casualties are still trickling in to the main US military hospital in Panama. The impasse over the future of General Manuel Noriega, Panama's deposed military leader, continues. He took refuge in the Vatican Embassy in Panama City on December 24. Yesterday, a diplomat arrived from the Vatican.

Panama's new attorney-general said on Monday that Gen Noriega might face murder charges if handed over to the Panamanian Government. Mr Endara, however, argues it would be better if Gen Noriega faced trial first in the US,

where he is wanted on drug-trafficking charges.

The Government has frozen all Gen Noriega's assets in Panama, a measure which the US is also trying to achieve elsewhere in the world.

President Bush yesterday appointed Mr Deane Hinton to be the US ambassador to Panama, replacing Mr Arthur Davis.

Mr Hinton, 66, a career foreign service officer was Mr Bush's envoy to Costa Rica. Separately the Vatican sent a Latin American expert to help its nuncio in Panama seek a solution to the crisis.

Monksignior Giacinto Berloco arrived in Panama to help nuncio Archbishop Jose Sebastian Laboa try to end the diplomatic dispute that began when the former Panamanian leader took refuge in the Vatican embassy on December 24.

Panama's Archbishop Marcos McGrath, who has been close to the negotiations over Gen Noriega, said on Monday that the general could not seek political asylum because he had to answer criminal charges.

## UK will avoid recession say forecasters

By Patrick Harverson, Economics Staff, in London

THE BRITISH economy will return to steady growth in 1990, according to a Financial Times survey of 22 independent forecasting groups.

The survey supports the relatively upbeat assessment of the economic outlook given by Mr John Major, the Chancellor of the Exchequer, in his interview with the TV yesterday.

The findings indicate that the Government's policy of high interest rates will dampen economic expansion this year, with consumer spending and investment virtually stagnating, but picking up in 1991.

In aggregate, the survey is broadly in line with the Treasury's forecast produced for the Autumn Statement in

The pound rose sharply against the D-Mark yesterday, closing in London 2.75 pence higher at DM2.7550, but little changed against the dollar at \$1.6120. On the Bank of England's trade-weighted sterling index (1985=100), the pound closed 0.8 higher at 86.8. The recovery in sterling was due mainly to a switch out of D-Marks to dollars.

Details, Page 30

November, but is slightly more optimistic about growth, inflation and exports. This year, gross domestic product is expected to grow by 1.4 per cent, against the Treasury's 1.25 per cent forecast. In 1991, growth will accelerate to 2.4 per cent, says the survey. Interest rates are expected to ease from the current level of 15 per cent to 13 per cent by the end of this year. In 1991, analysts expect interest rates

annual growth in the retail prices index is expected to be 4.9 per cent by the end of next year.

The current account trade deficit is expected to narrow from more than £20bn last year to £15bn in 1990 and £12.5bn in 1991. This year the volume of exports is forecast to grow by 7.5 per cent, while imports are predicted to grow by 1.4 per cent.

Unemployment is expected to rise slightly this year from 1.55m to 1.7m. In 1991 the level of unemployment is forecast to remain unchanged.

The forecasters expect virtually zero growth in investment this year, followed by a modest recovery in 1991.

Details, Page 6

## Argentina acts to curb hyperinflation

Continued from Page 1

and his Peronist Government already appear to be running out of steam and losing much of its initial widespread popularity.

Mr Gonzalez took over from a highly regarded businessman, Mr Nestor Rapanelli, in mid-December, after Mr Rapanelli's policies had also failed to curb the exchange rate collapse and the threat of hyperinflation.

Last year's stabilisation measures have been embarked upon with varying degrees of success but are unlikely to have substantial effects for many months to come.

Also, wage pressure from a trade union movement disillusioned with President Menem's

non traditional, capitalist brand of Peronism struck at the heart of the first emergency programme last year and could well jeopardise the latest measures.

The new round of emergency measures go some way towards a solution, but carry with them a political cost.

Apart from likely trade union opposition, there is likely to be a more general grievance against the suspension of what was for many Argentines their last remaining hedge against inflation - the short-term fixed deposit system.

More seriously, by late November the increasingly artificial exchange rate had given way to an active black

market and the official exchange rate collapsed in early December.

With the demise of last year's stabilisation plan, President Menem's Economy Ministry team, led by Mr Rapanelli, formerly vice president of Argentina's largest multi-national firm, Bunge y Born, found itself increasingly isolated and attacked by traditional Peronist factors.

Mr Rapanelli was replaced by Mr Gonzalez, Menem's trusted ally from the president's days of governor of the province of La Rioja. Many observers believed the new minister lacked the political authority and stature to take strong steps but his new year package has shown that he

does not lack boldness.

President Menem and most of Argentina's economists are agreed on what is needed to save the nation's economy: the elimination of the vast public deficits through tax reform and reduced state spending which would remove the underlying causes of inflation.

Yet, the implementation of such a scheme must overcome vested interests among companies supplying state firms, traditionally protected private business sectors and, especially, the trade unions.

However, the President's ability to face down the unions weakens as each successive economic plan collapses and he is driven ever closer into the arms of the Peronist Party.

## Vatican to woo taxpayers

Continued from Page 1

the allocation for religious and other purposes of 0.008 per cent of annual income tax revenue from fiscal 1990.

This is by no means a guaranteed gift because the Italian Church will be competing with other potential beneficiaries. Each taxpayer will be allowed to express a preference on his or her tax return for allocating tax revenues to welfare works administered by the state, or to the Roman Catholic Church, or to the two non-conformist confessions, the Adventist Church and the Assemblies of God. Allocations will then be

made in proportion to the preferences expressed.

The Church is predictably coy about its actual requirements but senior bishops have been contentedly predicting a 50-60 per cent share of the tax pool. This could yield £400m-£500m on anticipated 1990 tax revenues. The Church's confidence is thought to be based on some private polls which have produced very different findings from one conducted for a newspaper in 1986 which revealed that only 14.7 per cent of taxpayers would give it preference.

In the meantime, the faithful have been slow to embrace the tax deductible facility which was available for their 1989 incomes. Partial returns suggest that after a mid-October appeal from every pulpit in the nation, only 50,000 people had despatched a total of about £8bn to the Church's treasury by mid-December.

The problem is that while Italian Roman Catholics will give generously to the priest or bishop they know, they may be more wary of sending funds to an anonymous piece of ecclesiastical bureaucracy.

**Get more from your business.**

**Buy it.**

If you are thinking about a Management Buy-out, you need to think more about 3i. We have been investing in British businesses for more than 40 years. In recent years, we have helped over 900 buy-outs to succeed, and now we could put the experience we have gained - and our capital - behind you.

If you believe you could own as well as manage your company - and have a team of key people to support you - now is the time to talk to us. You'll find we can provide much more than just capital.

'Buy-out' The Video - Free for a month

The drama of a typical Management Buy-out is now available on video. It takes you through a fictional buy-out, interspersed with expert advice and analysis from experienced professionals. It's available free of charge, for a loan period of 28 days. If you decide to keep it, we'll debit your credit card for just £15.

For further information on Management Buy-outs and your copy of 'Buy-out' please call us on 0635 523 325 or complete the form below.

Send to: 3i pic, FREEPOST, 91 Waterloo Road, London SE1 8BR.

☐ Please provide further information about Management Buy-outs.

☐ Please send me a copy of the 'Buy-out' video.

I understand that if I do not return it within 28 days, my credit card account will be debited for the price of £15.

☐ Access ☐ Visa ☐ Diners ☐ Amex

Credit Card No.

Expiry Date  Signature

Name

Position  Company Name

Type of Business  Number of Employees

Address (Home or Business)

Postcode  Tel No.

**MAKE IT YOUR BUSINESS TO CHANGE**

3i pic is registered in the conduct of investment business by SIB.

FT00190

## WORLD WEATHER

City	°C	°F	City	°C	°F	City	°C	°F	City	°C	°F
Alexandria	12	54	Dubrovnik	11	52	Manila	15	59	Rio de Janeiro	18	64
Algiers	12	54	Edinburgh	10	50	Moscow	15	59	Rome	18	64
Amsterdam	12	54	Fairbanks	10	50	Mumbai	21	80	Sabana	18	64
Antwerp	12	54	Frankfurt	10	50	Nairobi	15	59	Salt Lake City	18	64
Bahia	21	70	Geneva	10	50	Osaka	15	59	Sao Paulo	18	64
Bangkok	21	70	Hamburg	10	50	Paris	15	59	Seattle	18	64
Bombay	21	70	London	10	50	Prague	15	59	Singapore	18	64
Buenos Aires	12	54	Madrid	10	50	Reykjavik	15	59	Sydney	18	64
Calcutta	21	70	Moscow	15	59	Rio de Janeiro	18	64	Taipei	18	64
Cardiff	12	54	Nairobi	15	59	Rome	18	64	Tokyo	18	64
Cebu	12	54	Paris	15	59	Sabana	18	64	Ulaanbaatar	18	64
Colon	12	54	Prague	15	59	Salt Lake City	18	64	Yokohama	18	64
Dakar	12	54	Reykjavik	15	59	Sao Paulo	18	64			
Dallas	12	54	Rio de Janeiro	18	64	Seattle	18	64			
Dhaka	12	54	Rome	18	64	Singapore	18	64			
Dublin	12	54	Sabana	18	64	Sydney	18	64			
			Sao Paulo	18	64	Taipei	18	64			
			Seattle	18	64	Tokyo	18	64			
			Singapore	18	64	Ulaanbaatar	18	64			
			Sydney	18	64	Yokohama	18	64			
			Taipei	18	64						
			Tokyo	18	64						
			Ulaanbaatar	18	64						
			Yokohama	18	64						

Wednesday January 3 1990

**INSIDE**

**Man in a hurry looks for a big deal**



What chance does a late starter have in the fiercely competitive European advertising industry? Mr. Jean-Claude Boulet, who founded Boulet Dru Dupuy Petit (BDDP), the French advertising agency, only five years ago, is now striving to turn it into an international force. He has staged a series of small, strategic acquisitions to form the framework of an advertising network in Europe, but the really big deal he needs has eluded him. Most of the established networks have already been snapped up by the US and UK marketing groups. "Really our network should already exist," says Mr. Boulet. "But it does not. We have to build it as fast as we can." Page 14

**Spinning the wheel of fortune**  
At a Stanley Leisure casino the average amount wagered by a client is about £100 per visit. The Stanley Organisation itself has come to the table to wage a less paltry sum. Stanley is staking up to £10.75m in cash on the development of its gaming business by acquiring Leading Leisure's provincial casino division. The purchase, giving Stanley control of eight casinos to add to the nine it already owns, will turn the group into Britain's third largest casino operator, behind Mecca Leisure and Stakis. Page 20

**If I only had a brain**



Some things are worth waiting for — the Royal Navy thinks so and is prepared to wait until 1993 for a new "brain" for its latest frigates. Like existing designs, the new control and command system being developed jointly by the Dowty group and the Anglo-French systems company Sema, will process and display data from the ship's sensors and manage the deployment of weapons and the ship itself. However, its design, based on a network of 200 connected processors instead of a single central computer, is a radical shift for military computing. The new system, when it comes, should give the Navy the most advanced command system of its type in the world. In the meantime, new frigates putting to sea without it will be limited to normal peace-time patrolling tasks. Page 21

**Mourning the good old days**  
For US brokerage houses the 1980s ended as they started, with intense competition still calling into question the viability of basic market activities. The only thing that has changed as they enter the 1990s is that they are no longer alone. London's stockbrokers, which witnessed the deregulation of their market in 1986, now have a valid claim to being worse off than their counterparts elsewhere in the world. The picture may look bleak, but securities firms have in the past managed to find lucrative activities to make the business worthwhile — the fixed-income market from the 1970s, for instance, or the junk bond extravaganza of the 1980s. However, Richard Waters finds that markets like New York and London are unlikely ever to return to the good old days. Page 18

**Market Statistics**

Base lending rates	30	London share service	20-25
Benchmark Govt bonds	18	London traded options	18
European options exch	30	London traded futures	18
FT-4 indices	18	Money markets	20
FT-4 world indices	34	New int. bond issues	20
FT int bond service	18	World commodity prices	22
Financial futures	30	World stock mkt indices	31
Foreign exchanges	30	Unit trusts	24-27
London recent issues	18		

**Companies in this section**

BDDP	14	Goldman Sachs	18
Asko	14	Gruppone Bene	19
BOM Holdings	14	IFC	19
Benchmark gov bonds	18	Interplex Techs.	19
Berry, Birch & Noble	14	Kim	14
British Airways	14	Leading Leisure	20
Campeau	14	Luchaire	14
Canadian Pacific	14	Mafia	20
Carron Phoenix	14	Massa	14
Celebrity Group	14	Metro	14
De La Rue	14	MiniScribe	13
ESL Technologies	14	Morgan Stanley	14
Engelhard	14	Norfolk Capital Gp	19
Eurocom	14	Preussag	16
Fergabrook Group	14	SFE	14
First Boston	14	Sabena	14
Folkman	14	Selwa	14
Franklin Holdings	14	Stanley Leisure Org	20
		WCBS	20

**Chief price changes yesterday**

FRANKFURT (DM)					
Rhein			Rhein		
Dresler-Hypa	439	+ 10	Boehr-Mann	735	+ 15
Dresler Sk	450,5	+ 14,5	Boehr-Mann	800	+ 14
Lahn	658	+ 10	Boehr-Mann		
Vito	382	+ 10	Boehr-Mann	615	+ 14
Palma			Fondare Lyon	696	+ 27
Mannheimer Vn	945	+ 45	Promodes	4200	+ 230
Rougehal	363	+ 12			

Boehr-Mann	383	-	12	TOYOYO (Yam)		
NEW YORK (\$)				Alcoa		
Boehr	83 1/2	+	1 1/2	Chen	1630	+ 150
Digital Equip	123 3/4	+	5	Clack	1300	+ 120
Dupont	96 1/4	+	2 1/2	Kawda Tensite	1280	+ 50
Sil	37 1/2	+	2	Syncon Cable	2290	+ 200
Tyco R Us				Tonopress		

Johnson & Johnson	55 1/4	-	3 1/4	Paine		
PARS (FFR)	58 1/4	-	1 3/4	Nichols	2000	- 150

New York prices as at 12.30pm.

LONDON (Pounds)					
Boise			Rainco	288	+ 5
Boys Shop Int	504	+ 17	Rain Exp.	150	+ 36
Boys, Barnes	765	+ 40	Satchi	367	+ 18
Brit Gas	243	+ 6	Teasdale Plac	249	+ 8
Brit Steel	137.5	+ 2.5	Phelia		
Brita Flu	305	+ 5	SOC	558	- 1
Canaccord	673	+ 28	SOC		
CDN	448	+ 5	Brit Aerospace	694	- 4
Grand Mat.	840	+ 12	Lent Assets	533	- 2
Jepp Inds	665	+ 20	Marshall Comm	228	+ 4
Morris & Spencer			MEPC	535	- 4
	204	+ 32	Sainsbury (L)	285	- 3
O Doid	650	+ 19	Vickers	205	- 5
ONG	714	+ 20			

## Bell Resources steps into Bond court case

By Bruce Jacques in Sydney

BELL RESOURCES, the struggling Australian investment group, yesterday made a surprise intervention into a court case to decide the fate of Bond Corporation Holdings, its parent.

Counsel for Bell told the Victoria Supreme Court in Melbourne that the company's claim over the assets of Bond Brewing Holdings had priority over the brewing unit into receivership last Friday.

The court is hearing an application by Bond Corporation, Mr Alan Bond's Perth-based beer and media conglomerate, to have the receivership order rescinded. The hearing follows a failed attempt on Saturday by Bond interests to have the West Australia Supreme Court set aside appointment of receivers to the brewing unit.

The Victoria hearing was yesterday adjourned until today, leaving Bond Brewing still technically in receivership, owing \$470m (US\$583m) to a syndicate led by National Australia Bank. The syndicate succeeded in having receivers appointed just hours after Bond Corp had announced a new plan to sell its

brewing interests to Bell for about \$62m.

Counsel for Bell said the company had entered into a contract last Thursday to purchase the brewing interests from Bond Corp, and this meant Bell had higher priority than the banks which were unsecured creditors.

In other submissions to the hearing yesterday, counsel for Bond Corp foreshadowed an application to have the hearing moved to Perth. Earlier, a Bond statement warned that if the brewing receivership was allowed to stand, it could trigger a series of claims by creditors which could lead to the collapse of the entire Bond empire.

The Bond statement also noted that, even though the application to the Perth Supreme Court had failed, the judge had said a serious and substantial injustice had occurred in the manner of the receiver's appointment. The judge had noted that evidence of the potentially serious consequences of the receivership was not disclosed by the banks' representatives and that Bond companies were not given the

opportunity to be represented.

The Victoria Court was also told yesterday that a Bond Corp director, Mr Peter Mitchell, planned to fly to New York to meet US creditors of Bond's brewing interests.

Bond Brewing was due to make an interest payment of \$85m to US creditors on December 31, but the payment was prevented by Friday's receivership order. It has been speculated that US investors could launch separate legal action against Bond over the payments which could include the company's US-based Heileman brewing assets.

Shares in Bond Corp and Bell Resources remained suspended on Australian stock exchanges yesterday, but shares in companies with exposure to the Bond group were marked back against the market's general tone. These included Adelaide Steamship, down 22 cents to \$4.06, and FAI Insurance, off 3 cents to \$42.80.

Shares in Bell Group fell sharply, by 11 cents to stand at 25 cents, but Bond Media shares were steady at 11 cents.



Andrew Knight: given broad authority over not just business development but also editorial fortunes

## Adventurer who preaches simple message of survival

Raymond Snoddy talks to ex-Daily Telegraph chief Andrew Knight about his move to News International

The announcement yesterday that Mr. Andrew Knight, former chief executive of the Daily Telegraph group, will become executive chairman of News International in March marks an important stage in the development of Mr Rupert Murdoch's News Corporation.

By giving Mr Knight, editor of The Economist magazine for nearly 11 years, control of five British national newspapers and the four satellite channels of Sky Television, Mr Murdoch is tacitly recognising that his media empire on three continents is now too large for any one man, however energetic, to run.

For it is clear that Mr Knight, a key member of the small team that brought the Daily Telegraph, by far Britain's largest selling daily broadsheet newspaper, back from the edge of bankruptcy, has been given broad authority over not just News International's business development but also its editorial fortunes.

After the "tremendous adventure" of working with Mr Murdoch, the Canadian who controls 80 per cent of the Daily Telegraph group and is clearly a newspaper tycoon in the making, Mr Knight is moving to one of the world's most influential established publishers.

"Here [at News International] you have a superbly run organisation controlled by, I would argue, the greatest newspaper publisher in the world, who has so many balls in the air that he wants — and I think it is a very healthy thing — someone to catch some of them for him," says Mr Knight, who has just turned 50.

News International's new chairman is reluctant to talk too much about his job in advance, yet he drops significant clues on his priorities and what the general approach is likely to be. "At the Economist we tripled the circulation through the practice of quality," says Mr Knight, who believes that only the best newspapers will ultimately survive the increasing competition against a background of decline in overall circulation.

"Newspapers are fascinating. Rather like oil wells, they are a depleting reserve but nevertheless they are tremendous generators of cash and profitability if

run properly. Above all, the survivors do well," says Mr Knight. At the Daily Telegraph, Mr Knight believes his main achievement was getting costs on to a realistic basis and instilling into management the simple message that they had to see themselves as survivors.

He is also aware that the issue of newspaper standards "is in the air", but does not believe that Mr Murdoch's popular newspapers should be seen as problems.

"The Sun and the News of the World are resoundingly successful newspapers," says Mr Knight. He also has little time for the conventional wisdom that The Times has gone down-market in recent years and ceded its role as the newspaper of the establishment, or at least its younger members, to The Independent.

"You hear a lot of wild things said which don't really measure up to what you see as a newspaperman in the newspaper. Circulation has actually weathered The Independent very well and at the Telegraph we always took The Times very seriously," Mr Knight says.

He goes to Wapping, Mr Murdoch's UK printing and publishing headquarters, at a difficult time financially for News International because of its investment in satellite television and a programme of installing colour presses and the latest inserting equipment this year.

Mr Robert Maxwell's rival Mirror Group Newspapers has already completed the transition to colour printing. He has made it clear he will try to take maximum advantage in 1990 of Mr Murdoch's delay in following suit.

The pressure has already begun to show in News International's balance sheet. Pre-tax profits for the year to June 30 1989 fell from £88.2m (\$141m) in 1988 to £20.8m and that figure did not include the first £75m of the investment in Sky to be written off over five years. Losses for Sky's first full year on the air are likely to be considerably more than £100m.

relationship with Mr Black when "we both used to reckon we were going to make everything or lose everything".

But he says he is not the sort to retire and lie on a beach. He has one house, a modest Japanese car and does not collect anything — and he insists that his new wealth is not going to change that.

Mr Knight decided to leave the Telegraph because Mr Black was moving his base to London and would inevitably become more actively involved in the day-to-day running of the business.

He blames his decision to leave, and the period of the difficulties that flowed from the policy of combining many of the journalistic departments on the Daily and Sunday Telegraph — a policy that angered many Sunday Telegraph journalists.

A thing this important needs to have one person who can see his vision through and has untrammelled power to do so.

But he argues that the Sunday Telegraph, as the only British national Sunday newspaper with a circulation lower than its daily associate, has benefited from being able to call, for example, on the daily's foreign and sports staff.

Apart from some reservations about the way the editorial reorganisation was implemented, there is also some disquiet among senior Telegraph executives that he should be moving so soon to a direct rival.

It is not an argument that troubles Mr Knight. "I can't think of a single thing they are going to do which would be remotely valuable for Wapping to know about," he says firmly. While Mr Black's move to London persuaded Mr Knight it was time to go, it was Mr Murdoch's desire to be there less that convinced him there was a top job to do at Wapping.

## Tate & Lyle to sell North American motor parts business

By Clay Harris in London

TATE & LYLE, the UK-based international sweeteners producer, is to sell its North American motor components business for \$179.5m.

The buyer is Hidden Creek Industries, a subsidiary of Onex Corporation, the diversified Canadian holding company which specialises in leveraged buy-outs.

The disposal had been a possibility since last spring, when Tate paid \$286m (US\$246.5m) to buy out the 49.9 per cent minority in Redpath Industries, its listed Canadian subsidiary.

The deal brings to \$143m the proceeds from Redpath's non-sugar interests. General Gear and Donlee Precision, two small Canadian manufacturers of machine parts, remain to be sold.

Completion, due in the middle of next month, is conditional on Onex arranging finance for the leveraged deal. The Toronto-based company typically takes large majority stakes — in this case 80 per cent — not full ownership of operating subsidiaries.

They include Sky Chefs, a leading US-based airline catering company, and Norex Leasing, Canada's largest independent leasing company.

It also controls the Canadian business of Purulac Conrier and Beatrice Foods and owns half of Ball Packaging Products Canada, a manufacturer of rigid packaging.

In 1988, Onex reported net earnings of \$35.8m on revenues of \$31.9m. In the first nine months of 1989, earnings reached \$39.6m on revenues of \$31.3m.

Tate will receive \$162m in cash, \$15m in 10-year preferred shares and a \$2.5m secured note.

It said Kidder Peabody had assured both parties that it was "highly confident" it could place the subordinated debt which will finance 35 per cent of the purchase price.

Onex has provided a commitment letter in respect of the 25 per cent equity portion. The remaining 45 per cent will be funded by senior debt to be provided by a leading Canadian chartered bank, Mr Ewout Heersink, Onex vice-president, said yesterday.

Automotive Industries, which has four plants in the US and two in Canada, makes injection-moulded plastic components for car interiors.

It contributed \$8m (£12.8m) before tax to Tate's 1988-89 profits and had net assets of £8.6m at September 30.

## Bank of Boston unveils \$300m of loan write-offs

By Alan Friedman in New York

BANK OF BOSTON, the largest regional bank in New England, yesterday unveiled \$300m of fourth quarter loan write-offs and announced the sale of its credit card business to Chase Manhattan.

Analysts on Wall Street see the measures as part of the bank's strategy for dealing with the growing crisis in real estate-related loans in the north east of the US.

In a separate development, Bank of New England, another bank hit by the real estate downturn, said yesterday that it had signed a letter of intent to sell McCullough Leasing, its vehicle fleet leasing subsidiary, to GE Capital Corporation.

Terms of the sale were not disclosed. Bank of New England last month said it was raising its loan loss reserves above \$1bn because of non-performing real estate loans.

The sale of Bank of Boston's credit card business to Chase produced a pre-tax gain of \$195m.

Had it not been for the gain, the bank would have almost certainly suffered a loss. In the event, a break-even result in the fourth quarter means the bank's 1989 total net income is likely to

be about \$63m, down drastically on net profits of \$322m in 1988.

The Boston bank, the 15th largest in the US, said it had made \$280m of fourth quarter provisions for bad debts, bringing total 1989 loan provisions to \$720m, up from just \$144m the previous year. In turn, total 1989 loan write-offs, including the \$300m fourth quarter charge, came to \$480m, against \$194m in 1988.

Bank of Boston's non-performing assets stood at \$1.7bn at the year-end, a decline of \$100m on the 1988 figure that resulted mainly from fourth quarter write-offs. Some \$1.1bn of the \$1.7bn of non-performing loans are real estate-related.

Shares of the Bank of Boston, which are quoted on the New York Stock Exchange, had risen by 1/4 of a point to \$19 3/4 by early afternoon.

Mr James McDermott Jr, a senior banking analyst at Keefe Bruyette & Woods, said the stock market appeared to be approving of "the conservative way" that the Bank of Boston management was approaching its problems.

However, he warned that the real estate crisis meant that the atmosphere was very uncertain for Bank of Boston and other north-eastern institutions.

## MiniScribe files for Chapter 11

By Louise Kehoe in San Francisco

MINISCRIBE, the US computer disk drive manufacturer, has filed for protection from creditors under Chapter 11 of US bankruptcy laws after numerous shareholder and debenture holder lawsuits the company has been unable to settle.

MiniScribe has previously alleged "massive fraud" by former senior managers in the preparation of its financial statements dating back to 1986.

A total of 13 class action and individual lawsuits have been filed against the company by shareholders and debenture holders.

The Chapter 11 filing involves the US parent company and does not affect its subsidiaries in the Far East, where the company now manufactures most of its products, officials said.

MiniScribe is phasing out its US manufacturing operations. The company denied recent reports that it has been transferring assets to the Far East sub-

sidaries in contemplation of a Chapter 11 filing.

"We believe that this is the only practical step the company can take to solve its many legal problems," said Mr Richard Rifenburgh, chairman.

MiniScribe says its reorganisation plan may take the form of the sale of assets to new investors and the formation of a new company.

The proceeds of the sale might be used to settle claims against the company.

MiniScribe also filed its long overdue financial statements for 1988 and the first three quarters of 1989. Losses for the first nine months of 1989 were \$116m compared with losses of \$109.5m in the same period a year earlier. Sales fell to \$549.8m from \$631.0m.

The company restated its fiscal 1987 earnings as \$9.0m instead of the \$31.2m previously reported. Earnings for 1986 were restated at \$12.2m rather than \$22.6m.

**We can relocate you before the rest can send a brochure.**

In Newport we are committed to attracting new companies into the area. We respond quickly and efficiently to all enquiries from companies contemplating relocation.

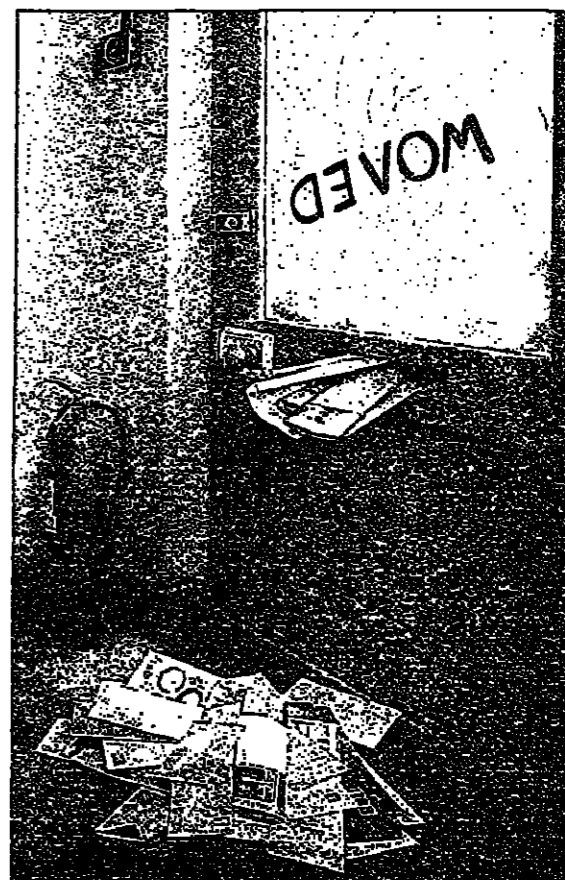
We can provide up-to-date information relating to all areas of relocation, from availability of office space to the suitability of potential green field sites.

Our expertise and in depth understanding of the problems involved have assisted many companies large and small in coming to a speedy decision.



**NEWPORT**  
A TOWN TRANSFORMED

Contact the Director of Development in Newport  
(0633) 246906. Facsimile: (0633) 244721. (Quote Ref. 77)



## INTERNATIONAL COMPANIES AND FINANCE

## Maxwell builds on holding in De La Rue

By Andrew Hill in London

MR ROBERT MAXWELL, the UK publisher, has rekindled speculation about the future of De La Rue by buying a 3.1 per cent stake in the banknote printer from Scitex, an Israeli-based company in which he holds a 27 per cent stake.

Mr Maxwell bought the 4.42m shares at about 317p each - a premium to yesterday's closing price of 306p, up 5p. The publisher now owns about 21.67 per cent of De La Rue through the nominee Bishopsgate Investment Trust (18.1 per cent), Mirror Group (3.1 per cent), and the pension fund manager Bishopsgate Investment Management (0.47 per cent).

De La Rue has been the subject of bid speculation since September when Norton Opax allowed a hostile bid for the company to lapse.

Mr Jeremy Marshall, De La Rue's new chief executive, said yesterday the group had expected the sale of the stake and

did not regard it as significant. "Mr Maxwell's holding is still the same in total as it was before," he said.

Mr Maxwell was unavailable to comment, but analysts believe he no longer wishes to bid for De La Rue, which revealed continuing problems with its high-technology units last month.

The publisher was originally interested in buying Crosfield Electronics, De La Rue's printing technology subsidiary. Scitex, a computer-imaging systems group, built up its stake in July, when Crosfield's fate was still in the balance, adding to 15 per cent already owned by Maxwell interests.

But the following month, in spite of Mr Maxwell's opposition, Crosfield was sold to Du Pont and Fuji Photo.

Scitex sold its stake at a loss of about £3.4m, and Mr Maxwell is still sitting on a paper loss of about £27m on the rest of his stake.

## Sabena venture's management set up

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS, KLM and Sabena have started to set in place the management structure of their new joint venture, Sabena World Airways, which is expected to come under the close scrutiny of the European Commission later this month.

BA said yesterday that Mr John Story, its general manager for Africa, had been appointed as marketing director of Sabena World Airways. Belgium's Sabena owns 60 per cent of the company and its UK and Dutch partners 20 per cent each.

The airlines agreed to form the company last month to operate Sabena's existing routes and to develop a European hub, to be based at Brussels and serving 75 cities by 1995.

Mr Johan Dekker, Sabena's chief executive, said Mr Story

would be starting work immediately on developing expansion plans for the new airline's "Euro-hub" system based on Brussels Zaventem airport. "He will be leading a marketing policy group comprising staff seconded on a full-time basis from Sabena, BA and KLM," Mr Dekker added.

The appointment of the BA executive to oversee the marketing strategy of the new airline reflects the UK carrier's expertise in this area.

Sabena World Airways is the latest in a series of co-operation agreements between carriers in anticipation of the gradual liberalisation of European air transport. It follows a pact between Lufthansa and Air France and cross-shareholding agreements between SAS, Swissair, Delta and Singapore Airlines, among many others.

## Giat to take over Luchaire defence arm

By William Dawkins in Paris

MANAGEMENT of the defence subsidiary of Luchaire, the French munitions group, is to be taken over temporarily by an arm of Groupement Industriel des Armements Terrestres (Giat), the state-owned arms manufacturer.

Pro-Giat, a unit created in 1968 to help its parent explore new industrial opportunities, will take over Luchaire's defence activities for five years in return for an undisclosed sum. Luchaire Défense produced a turnover of FF850m (\$84.8m) in 1988, mainly in munitions, anti-tank mines and rocket launchers.

The announcement lays to rest some of the uncertainty over Luchaire since it came under investigation in 1986 for alleged illegal shipments of arms to Iran.

A French judge decided last June there was inadequate evidence to back up the allegations, but the right-wing RPR party is pushing for a fresh inquiry.

The deal is designed to give both companies a more efficient and coherent export policy, said a Giat official. At the end of the five years, Luchaire Défense could be sold to Giat, though the options are being kept open, according to Luchaire officials.

The French Government also yesterday confirmed that the main companies in the state-owned chemicals industry had agreed the outlines of their long-awaited reorganisation.

This means the activities of the Orkem petrochemicals, paints, inks and fertilisers group will now be divided between the two state-controlled oil companies, Elf Aquitaine and Total.

Orkem's chemical and fertilizer businesses will go to Elf, while Total will take its specialty chemicals activities, said a joint statement by the Finance and Industry Ministries.

Entreprise Minière et Chimique, the mining and agrochemicals group, will further discuss with Elf how their chemicals arms might co-operate.

## Small advertising group with big ambitions

Alice Rawsthorn examines the plans of a French agency seeking to expand rapidly

Mr Jean-Claude Boulet is a man in a hurry. His ambition is to turn Boulet Dru Dupuy Petit (BDDP), the French advertising agency he founded five years ago, into an international force in the advertising industry.

So far, he has staged a series of small, strategic acquisitions to form the framework of an advertising network in Europe. However, the really big deal he needs has eluded him. Last year Boase Massimi Pollitt, the UK agency, rebuffed his £18m (\$188m) bid in favour of a friendly merger with Omnicom of the US.

The European advertising industry is becoming more complex and competitive all the time. Most of the established networks have already been snapped up by the US and UK marketing groups. There is little time left for BDDP to establish itself as a significant player.

Is it too late? "I hope not," said Mr Boulet. "Really our network should already exist. But it does not. We have to build it as fast as we can."

Many chairmen would be quite content if their company had grown as far and as fast as BDDP.

It was formed by Mr Boulet together with Mr Jean-Marie Dru and Mr Jean-Pierre Petit, two colleagues from Young & Rubicam, the giant US marketing group, where he was managing director for Europe - and Ms Marie-Catherine Dupuy as creative director.

From the start the company was cast in the mould of the large American agencies where the founders had worked.

## WestLB splits 45% holding

WESTDEUTSCHE Landesbank Girozentrale (WestLB) has split part of its 45 per cent holding in the Preussag/Salzgitter concern with three other banks, AP+J reports.

Mr Ernst Albrecht, Prime Minister of Lower Saxony, said a holding company owned jointly by WestLB, Norddeutsche Landesbank Girozentrale (NordLB), Norddeutsche Genossenschaftsbank, and Dresdner Bank AG bought a 15 per cent stake in Preussag/Salzgitter from WestLB as of January 1.



JC Boulet

Jean-Claude Boulet: a man in a hurry, with two of his agency's creations

BDDP set out to offer an alternative to the French offshoots of the US groups and the indigenous agencies - Havas and Belier, owned by Eurocom, and Roux Seguela Cayzac & Goudard - that had dominated French advertising for decades.

Today BDDP is the fifth largest agency in France with a string of advertising awards to its credit, estimated billings of \$67m and income of \$10m last year.

Half of its French accounts come from companies owned outside France, like McDonald's and Coca-Cola.

From the beginning BDDP was intent on establishing itself as a force, not only in French advertising, but in other areas of marketing and other countries too.

The company has built up business in disciplines like sales promotion and direct marketing. Rather than adopt the vertical structure favoured by the US groups, it offers an integrated service whereby its

clients deal with one account director who maps out a communications strategy on everything from traditional television advertising to dealer support schemes.

BDDP has also moved into other European markets. It set up agencies in Belgium and Italy in 1987 and staged its first acquisition, in Spain, in the same year. It has since expanded into the Netherlands, the UK and West Germany and has established a foothold in the Far East through a joint venture with Baty, the Singapore-based agency.

It is now the 14th largest advertising agency in Europe with pan-European accounts for Michelin and Polaroid. This all sounds very impressive. However, its network is still immature and far too small.

France is the only country where BDDP can offer an integrated marketing service. So far, the Netherlands is the only

other country where it fulfils its aim of being among the top 15 agencies. It is still a minor player in the leading markets of the UK and West Germany.

Furthermore, a growing number of advertisers are consolidating their accounts into one international agency.

Unless BDDP offers an international service it not only risks the risk of missing out on international business, but also of losing its existing accounts.

Originally, Mr Boulet hoped to build an international network by merging with another agency.

Over the years he talked to Chist Day in the US, TBWA in France and WCRS - now involved with Eurocom - in the UK. Late in 1988 he mooted the possibility of a merger with Boase Massimi Pollitt. Their discussions broke down and BDDP mounted a hostile bid for BDP in the spring.

The bid flopped. BDDP failed in its first serious foray into the international arena. In

spite of his disappointment Mr Boulet is convinced the bid did bring some benefits. He believes, for example, that BDDP would not have been able to acquire ARA in the Netherlands or to clinch the joint venture deal with Baty without it.

BDDP is still scouting for acquisitions. It is about to conclude a significant deal in Italian advertising. It also intends to expand its presence in the UK and West Germany.

In recent weeks its name has been linked with Broad Street, the UK marketing group best known for its public relations work in takeover bids.

Mr Boulet refused to comment but did confirm BDDP has been in contact with a number of London PR companies.

So far it has spent about £25m on establishing its network. BDDP is still a private company and relies on banks to raise capital for expansion. Mr Boulet hopes the management will retain control.

He does not consider future finance to be a problem. Clearly BDDP does not have the resources to acquire a big company, such as Saatchi & Saatchi, but he said it would be interested in buying parts of the Saatchi organisation should it be broken up.

Mr Boulet is well aware BDDP may have left it too late to become a significant player in international advertising.

However, he is still convinced: "There is a role for a modern, more flexible advertising network. If there is enough time."

## German retailers form link

By Haig Simonian in Frankfurt

ASKO, the big West German retailer, is planning to transfer its 49.9 per cent stake in the Massa hypermarkets chain to a new joint venture with Metro, the retailing and cash and carry group best known for its controlling interest in the Kaufhof department stores.

The deal, which will be complemented by a second joint venture involving a string of Metro's interests, is a further step in the current restructuring of the German food retailing sector and points to growing links between two of Germany's biggest food retailers. The two companies are also planning a number of further joint projects in western and eastern Europe.

The first of the new joint ventures, MHB Im- und Export Handels, will incorporate a number of Metro's retailing interests along with Asko's shareholding in Massa.

Although Asko and Metro will each own 50 per cent of the shares, Metro will hold 76 per cent of the voting rights and

take management. Meanwhile, the two groups are combining a variety of other specialist retailing interests in a second joint venture, Deutsche SB-Kauf, in which Asko will have 76 per cent of the voting rights.

Rumours of a deal between Asko and Metro have gathered pace in recent weeks as speculation has increased about Asko's strategy following its ejection from a wide-ranging European retailing alliance linking UK, French and Dutch chains.

## Engelhard ends CanPac deal

ENGELHARD, the US precious metals and chemicals group 30.5 per cent owned by Minorco, the investment arm of Anglo American Corporation of South Africa, has said it will not after all acquire Processed Minerals from Canadian Pacific US, writes Kenneth Gooding, Our Mining Correspondent.

Agreement in principle for the \$110m cash purchase was reached in October. No reason was given for the collapse of negotiations.

All of these securities having been sold, this announcement appears as a matter of record only.

December, 1989

3,000,000 Shares

Costco WHOLESALE

Common Stock

400,000 Shares

The above shares were offered outside the United States by the undersigned.

Donaldson, Lufkin & Jenrette  
Securities Corporation

Banque Indosuez	Cazenove & Co.	Compagnie de Banque et d'Investissements, CBI
Paribas Capital Markets Group	Société Générale	S. G. Warburg Securities
Swiss Bank Corporation Investment Banking	UBS Phillips & Drew Securities Limited	

2,011,500 Shares

The above shares were offered in the United States by the undersigned.

Donaldson, Lufkin & Jenrette  
Securities Corporation

Bear, Stearns & Co. Inc.	Drexel Burnham Lambert Incorporated	Goldman, Sachs & Co.
Montgomery Securities	Salomon Brothers Inc.	Dean Witter Reynolds Inc.
William Blair & Company	Dain Bosworth Incorporated	First Analysis Securities Corporation
C.J. Lawrence, Morgan Grenfell Inc.		Piper, Jaffray & Hopwood Incorporated
Ragen MacKenzie Incorporated		Stephens Inc.

588,500 Shares

The above shares are being offered directly by the Company to Carrefour Nederland, B.V., a principal shareholder of the Company, pursuant to an existing right of first refusal.

December 6, 1989

Ratners Group plc

through its indirect wholly owned subsidiary

Sterling Inc.

has acquired

Weisfield's, Inc.

We initiated this transaction and acted as financial advisor to Ratners Group plc.

PaineWebber Incorporated

ALLIANCE LEICESTER

Alliance & Leicester Building Society  
£200,000,000

Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 28th March, 1990 has been fixed at 15.25% per annum. The interest accruing for such three month period will be £376.03 per £10,000 Bearer Note, and £3,760.27 per £100,000 Bearer Note, on 28th March, 1990 against presentation of Coupon No. 6.

Union Bank of Switzerland  
London Branch Agent Bank  
28th December, 1989

The Kingdom of Thailand  
U.S. \$85,000,000

Floating Rate Capital Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the second three months of the Interest Period ending on 30th March, 1990 has been fixed at 8% per annum. The interest accruing for such a three-month period will be U.S. \$108.22 in respect of the U.S. \$5,000 denomination and U.S. \$5,411.02 in respect of the U.S. \$250,000 denomination and will be payable together with the interest for the first three months of the said Interest Period on 30th March, 1990 against surrender of Coupon No. 12.

Bankers Trust  
Company, London

Agent Bank

# Announcement of Public Takeover Bid for shares and convertible bonds of GRUPO TORRAS, SOCIEDAD ANONIMA.

La Comisión Nacional del Mercado de Valores as at December 28th 1989 has authorised the following Takeover Bid for shares and convertible bonds of GRUPO TORRAS, S.A., which shall be governed by the Law "Ley de Reforma del Mercado de Valores 24/1988 of July 28th; Royal Decree 726/1989 of June 23rd and by Royal Decree 279/1984 of January 25th", in accordance with the following

## CONDITIONS

### FIRST - Bidders:

The Companies KOOLMEES HOLDINGS, B.V. and KOKMEEUW HOLDINGS, B.V., both of Dutch nationality, with head offices in Rotterdam (Netherlands), Coolisgel, 119, and registered in the Chamber of Commerce of said city with registration numbers 152.260 and 170.249, respectively.

Both Companies belong to the Group KUWAIT INVESTMENT OFFICE (KIO) which holds 100% of the shares of both Companies, which group together and centralise the long term or permanent type investments carried out by the aforementioned KIO GROUP in Spain.

The Bid is made jointly and severally by both Companies, although the shares and convertible bonds shall be acquired exclusively by KOOLMEES HOLDINGS, B.V. since this Company is holder of the PRIMA INMOBILIARIA, S.A. shares which are offered in exchange.

### SECOND - Nature of the Bid:

The Bid is of a mixed nature, being composed of sale and purchase and exchange for PRIMA INMOBILIARIA, S.A. shares. It is general and irrevocable.

### THIRD - Securities which are the subject of the Bid:

The Public Takeover Bid is directed at:

A. All the Company shareholders, and hence is offered to acquire to those who accept to sell be they individuals or corporate entities 59,433,783 bearer shares of nominal value 100 pesetas per share of GRUPO TORRAS, S.A. with coupon, which together with the 39,127,040 shares held by the Bidder KOKMEEUW HOLDINGS, B.V. represents all the share capital of the Company which is represented by 98,560,823 shares at 100 pesetas nominal value. All said shares are quoted on the Madrid and Barcelona Stock Exchanges except shares numbered 97.817.601 to 98.560.823 inclusive whose quotation is currently being processed and to which the current Bid is also extended.

The shares shall be free from charges and encumbrances.

B. All the holders of bonds issued up to the date of presentation of the Bid by GRUPO TORRAS, S.A., convertible into shares of the same and hence it is offered to acquire, to those who accept to sell, be they individuals or corporate entities 1,255,500 bonds which are still in circulation from the March 1988 issue, the first three conversion options of which have not been exercised.

The bonds shall be free from all charges and encumbrances.

### FOURTH - Maximum and minimum number of securities involved in the Bid:

The minimum limit of shares offered for acquisition is 15,000,000 which represents approximately 15.22% of GRUPO TORRAS, S.A. share capital. The Bid shall not be considered valid if the stipulated minimum number of shares is not respected.

There is no minimum limit for the convertible bonds provided that the minimum number of 15,000,000 shares is reached. If the said minimum of 15,000,000 shares is not attained, the Bid shall have a negative result both as regards shares and convertible bonds. In the case where said minimum of 15,000,000 shares is attained, all the convertible bonds may be acquired by those who have accepted the bid.

The current Public Takeover Bid does not have any maximum limit and hence the Bidders commit themselves to acquiring all the securities presented, provided that these exceed the aforementioned minimum number of shares.

### FIFTH - Payment to the holders of GRUPO TORRAS, S.A. shares and convertible bonds:

KOOLMEES HOLDINGS, B.V. offers the following consideration:

5.1 To the holders of the GRUPO TORRAS, S.A. shares is offered in exchange for each nine shares in this Company one bearer share in the Spanish Company PRIMA INMOBILIARIA, S.A., at a nominal value of ONE THOUSAND PESETAS free from charges and encumbrances, quoted on the Madrid Stock Exchange and a further payment of eight thousand three hundred and fifty pesetas (8,350 pesetas).

5.2 To the holders of the GRUPO TORRAS, S.A. convertible bonds is offered in exchange for each fifty convertible bonds at ten thousand pesetas nominal value, thirty PRIMA INMOBILIARIA, S.A. bearer shares, nominal value ONE THOUSAND PESETAS, free from all charges and encumbrances, quoted on the Madrid Stock Exchange and a further payment of two hundred and fifty one thousand pesetas (251,000 pesetas).

5.3 Where there may be fractions, payment shall be made in cash, paying the amount of one thousand eight hundred and fifty pesetas (1,850 pesetas) per share and ten thousand pesetas (10,000 pesetas) per convertible bond.

5.4 In the event that any right (such as increase of capital, payment of dividends or interest or anything similar) be exercised during the time which elapses between the presentation date of the Bid until the date of acquisition on the part of KOOLMEES HOLDINGS, B.V., over GRUPO TORRAS, S.A. shares and convertible bonds which may be sold, the amount of the aforementioned right shall be deducted from the sum of money offered as additional payment.

### SIXTH - Acceptance period:

The Bid acceptance period shall be for one month, from the announcement publication date in the Official Gazette (Boletín Oficial del Estado).

The period of one month shall be counted from date to date, except where the last day be a non-working day, and in this case, it shall be extended until the next working day. The period of presentation shall terminate punctually at midnight on the last day. The aforementioned period may be extended up to a maximum of two months, in accordance with that laid down in Art. 14 of the Royal Decree 279/1984 dated January 25th.

### SEVENTH - Expenses:

The operation shall be free of charge for the holders of GRUPO TORRAS, S.A. shares and convertible bonds who avail themselves of this current Bid.

### EIGHTH - Objective of the acquisition:

The objective sought by means of the Public Takeover Bid for shares and convertible bonds is that the Companies which belong to the same Group, KOOLMEES HOLDINGS, B.V. and KOKMEEUW HOLDINGS, B.V. should obtain as a minimum between the two Companies, a participation of approximately 55% in GRUPO TORRAS, S.A. share capital.

Once the aforementioned participation has been obtained, the following shall be effected:

- Development of the long term objectives for the industrial group; that is, the search for companies, the taking of participation in these, their capitalisation, restructuring and consolidation which may guarantee their development and subsequent internationalisation; as well as the search for fitting partners, in order that jointly with GRUPO TORRAS, S.A. they may fulfil these objectives.
- Since this policy could give rise to relinquishing of profits in the short term in favour of a long term development objective, it is envisaged that the minority shareholders be given an opportunity to leave the Company.
- One other consequence of this focus on long term development is the need to reinvest practically all the self-generated resources in the Group and this shall mean a possible decrease in dividend.

d) As a consequence of the aforementioned, should the Bid be positive, KOOLMEES HOLDINGS, B.V. and KOKMEEUW HOLDINGS, B.V. shall propose to the GRUPO TORRAS, S.A. Board of Directors the possible inclusion on the Agenda of a future General Shareholders Meeting, the possible exclusion of GRUPO TORRAS, S.A. shares from official quotation on the Stock Exchange.

### NINTH - Guarantees:

In guarantee for the current Bid, KOOLMEES HOLDINGS, B.V. and KOKMEEUW HOLDINGS, B.V. have presented to the "Comisión Nacional del Mercado de Valores" an aval granted by Banco de Santander, S.A. and certificate of proof of deposit in said banking entity of sufficient shares in the Company PRIMA INMOBILIARIA, S.A. in order to effect settlement of the Bid.

### TENTH - Procedure:

Acceptances of the Bid must be sent in writing to the management companies of the Boards of the Madrid or Barcelona Stock Exchanges, through Security houses and members of said Exchanges.

The acceptance declarations should be accompanied either by the receipts of deposit, extracts of security accounts, the share certificates themselves, the sale and purchase documents, or where applicable, sufficient documentation to prove ownership, and tenure of the securities which are presented upon acceptance.

Acceptances of the Bid should be irrevocable and unconditional.

### ELEVENTH - Apportionment:

In view of the fact that the current Bid of KOOLMEES HOLDINGS, B.V. and KOKMEEUW HOLDINGS, B.V. concerns the acquisition of all GRUPO TORRAS, S.A. shares and convertible bonds, the Bid is not therefore subject to apportionment.

### TWELFTH - contract date and settlement of the current Bid:

To all effects the contract date shall be considered as the publication date of the definitive positive authorisation in the "Boletines de Cotización Oficial de las Bolsas de Valores" of Madrid and Barcelona.

Settlement for the current Bid shall be made according to the same system for cash operations, and this through A.B. Asesores Bursátiles Bolsa, SVB, S.A., BSN, S.A., SVB and Beta Bolsa, AVB, S.A., which shall represent the Bidders.

### THIRTEENTH - Information:

The Bid explanatory brochure is available to the GRUPO TORRAS, S.A. shareholders and convertible bond holders at the "Comisión Nacional del Mercado de Valores", at the management companies of the Boards of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, at the head office of A.B. Asesores Bursátiles Bolsa, Sociedad de Valores y Bolsa, S.A., Plaza de la Lealtad, 3, 28014 Madrid, BSN, S.A., SVB. Plaza del Marqués de Salamanca, 3 and 4, 28006 Madrid and Beta Bolsa, AVB, S.A., Claudio Coello, 78-4º, 28001 Madrid and at the head offices of KOOLMEES HOLDINGS, B.V. and KOKMEEUW HOLDINGS, B.V., Coolisgel, 119, Rotterdam (Netherlands).

The above mentioned is made public in fulfilment of that laid down in Article 11 of the Royal Decree 279/1984 dated January 25th, for the cognisance of the GRUPO TORRAS, S.A. shareholders and convertible bond holders who may be interested in this Public Takeover Bid for shares and convertible bonds in said Company.

Madrid on twenty ninth December of nineteen eighty nine.



# TODAY'S LEADER IN TOMORROW'S WORLD



Over the last decade British Aerospace has grown to become Britain's largest manufacturing company, with over 50% of its business serving civil markets.



A near tenfold increase in sales during the decade has established British Aerospace as one of Europe's fastest growing businesses.



In the same period, 62% of total sales have been achieved in overseas markets and British Aerospace has become by the end of the decade Britain's number one manufacturer and exporter.



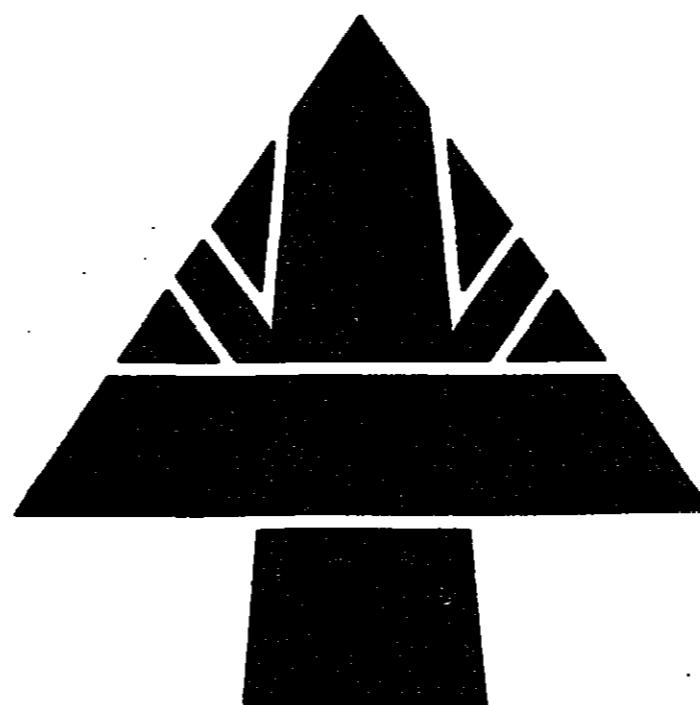
As a major player in the international defence equipment industry, British Aerospace through its collaborative programmes has secured significant contracts worldwide throughout the '80s.



In both domestic and international markets, British Aerospace has extended its activities into vehicle manufacture, information technology, optronics, tele-communications, property development and construction.



1990 marks the beginning of a new decade of achievement. Investment in research, in human resources and in manufacturing technology will enable British Aerospace to maintain its dominant position well into the 21st century.



## **BRITISH AEROSPACE**

DEFENCE SYSTEMS • COMMERCIAL AIRCRAFT • MOTOR VEHICLES • SPACE SYSTEMS  
PROPERTY DEVELOPMENT & CONSTRUCTION • ENTERPRISES

## INTERNATIONAL CAPITAL MARKETS

## Firms lose sight of the gravy train

A return to big profits is not on the menu, reports Richard Waters

FOR US brokerage houses the 1980s ended as they started, with intense competition still calling into question the viability of basic market activities.

The only thing that has changed as they enter the 1990s is that they are no longer alone. London's stockbrokers, which witnessed the deterioration of their market in 1986, now have a valid claim to being worse off than their counterparts elsewhere in the world.

An estimated \$500m of capital was committed to London's equity markets as the decade closed. The estimated return on this is no more than \$50m (\$51m).

The picture may look bleak, but securities firms have in the past managed to find lucrative activities to make the business worthwhile - the fixed-income markets from the 1970s, for instance, or the junk bond extravaganza of the 1980s.

However, markets like New York and London are unlikely ever to return to the good old days. The harsh reality is well illustrated in an unpublished survey carried out for London's International Stock Exchange by Peat Marwick.

Conducted earlier this year, when trading volumes in London were at a level which few forecasters expected, it showed the average cost of a transaction for brokers was slightly more than £200 (which is also about the average commission earned on a bargain).

Between £70 and £90 of this was due to the cost of maintaining a research operation - yet many investors claim the quality of research has been falling. This is clear evidence that brokers are still a long way from delivering what their customers want and are maintaining unrealistically large operations.

Mr Perrin Long, an observer with Lippert Analytical in the US, forecasts the 1990s will see some firms finally accepting reality and abandoning institutional listed equity business.

These firms realise they can't afford to carry on in a business that will, at best, break even," he says.

The move towards in-house research among investing institutions in the Anglo-Saxon

world, though progressing slowly, is likely to hasten this. Soft commissions are also slowly eating their way into the profits of the research-based houses.

The contrast with Japan is stark. The world's biggest market, where fixed commissions persist, has ended the decade strongly. True, Nomura, Daiwa, Nikko and Yamaichi, the country's Big Four securities firms, are losing market share in their home market, and profits on large institutional transactions have begun to fall.

But Japanese firms still manage to return huge profits, aided latterly by the equity warrants business.

The four, for instance, reported combined profits of more than ¥300,000bn (\$2.1bn) in the six months to September, with about half of this coming from equity warrants.

What chances of a squeeze on Japanese brokerage margins in 1990? The logic of deregulation and competition suggests margins must tumble, although no one with experience in the market expects it to become as cut-throat as elsewhere.

The warrants market, however, is likely to become progressively less profitable as Japanese issuers, encouraged by the Ministry of Finance, turn to other forms of finance.

His picture of reducing profits, fostered by deregulation, is enhanced by the spread of new technology. More efficient dissemination of information and the development of computerised trading makes the capital markets increasingly "efficient" - and reduces the role played by the securities firms as intermediaries.

Faced with vanishing margins in their core business in large parts of the world, where they will replace the sort of profits made during the bull markets of the early and mid-1980s. For firms wanting to make serious money in the next 10 years, there are two avenues open.

The first is a truism of the business: spot - or better still invent the next big product or market before anyone else.

The 1980s bear testament to the profits available to those alert to new and seemingly esoteric securities products, from mortgage-backed securi-

ties to Japanese equity warrants. The high margins rewarding those first into a market may be eroded faster than before as product life cycles shorten and competition intensifies, but rewards will remain for the quick-witted.

The second avenue highlights the income firms can generate from taking positions as principals. The merger and acquisition fees of the 1980s, bolstered by strong corporate activity, are likely to be enhanced in the 1990s by firms' increased willingness to take stakes in companies they advise.

Mr James Fergusson, deputy chairman of James Capel, believes this means that securities firms have to become adept at merging short-term investments. "It's like becoming a fund manager," he says.

Combine derivatives and the willingness to take principal positions, and the opportunities for some sophisticated in-house market activities multiply.

This will lead to a fundamental shift in relationships between investment houses and their investing clients. One result will be a new market for truly independent providers of services to investors, who will be forced to look elsewhere for support services they have not taken in-house.

When the 1990s end, the traditional names in the business are likely to have been joined by new ones - this is the challenge that the US and Japan are expected to let commercial banks into investment banking business.

Will they come? An official at one securities firm says: "I would be surprised if there was a stampede. Securities houses' resources are volatile and have been under pressure."

True, but the banks may feel they have no choice if, faced with a secular decline in their traditional lending business, they want to retain a role in the capital-raising activities of their valued clients.

With such a prospect there is little chance that the profits of the industry at the end of the 1990s will be any greater or more stable than at the beginning.

This is the sixth in a series of articles, which have appeared on December 8, 13, 15, 20 and 22.

Such markets provide a welcome source of income to replace earnings lost elsewhere. It is no surprise that British firms like BZW and James Capel are already taking more than half their revenues from non-UK equities, a sign as much of the squeeze in London as the buoyant conditions elsewhere.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

Others, like Baring Securities, have grown quickly and profitably after deciding not to become involved in their domestic market.

## Merger and acquisition activity in US tumbles

By Roderick Oram in New York

US MERGERS and acquisitions activity fell sharply last year, playing havoc with the rankings of Wall Street investment banks. Several firms famous for aggressive and opportunistic deal-making came to the fore, while some more conservative firms slipped down the league tables.

In spite of the inclusion of the \$30.6bn leveraged buy-out of RJR Nabisco, which closed early in 1989, the total value of deals completed last year plunged by 35 per cent to \$289.3bn from \$442.6bn in 1988, according to figures compiled by Securities Data. The number of deals slipped to 1,639 from 1,653.

The most dramatic decline came in leveraged buy-outs, which shrank to 161 deals worth \$89.9bn from 235 worth \$175.6bn a year earlier.

A crucial factor was the demise of the junk bond market during the second half of the year.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

The sharp downturn in takeover activity was also reflected in Wall Street firms' diminished enthusiasm for merchant banking.

They took stakes for their own account in deals worth \$24.8bn last year, from \$95.5bn a year earlier. The number of merchant banking transactions was flat at 82, against 83 a year earlier.

Within the overall downturn of M&A activity, some industry sectors remained particularly strong. Pharmaceuticals, publishing and communications were three of the liveliest areas, including the \$14.1bn merger of Time and Warner Communications.

Rankings by total value of deals on which they advised, Morgan Stanley was first with \$119.5bn and 167 deals (up from third in 1988); First Boston \$82.3bn, 109 deals (second in 1988); Wasserstein Perella \$79.7bn, 53 deals (sixth); Goldman Sachs \$66.5bn, 170 deals (first); Drexel Burnham Lambert \$61.4bn, 125 deals (eighth); Merrill Lynch Capital Markets \$56.4bn, 107 deals (ninth); Salomon Brothers fell to tenth place, with \$31.6bn and 118 deals, from fifth.

## Lively new-issue activity starts bout of indigestion

By Stephen Fidler, Euromarkets Correspondent

THE EUROBOND market opened the decade with a bang, but three new issues for high-quality borrowers in sterling brought an immediate bout of New Year indigestion.

Big swap opportunities opened up in sterling, playing an important part in prompting the three issues to go ahead.

Opportunities appear to have been created largely by a shifting of gilts, used as swap market reference stocks, with the change of the year. The 10 per cent of 1994 have become the new four-year reference, for example.

A £100m five-year issue for Deutsche Bank was the first sterling Eurobond to be lead managed by the Bank's own London capital markets subsidiary. Carrying a coupon of 12 1/2

per cent and a price of 101 1/4, it yielded, at full fees, a premium of 93 basis points over the 10 1/2 per cent gilt of 1994.

Its reception suffered as the other two issues were announced. A weakening of the gilt market, caused partly

by dealer hedging, also occurred and the issue closed outside fees, bid at a discount of 2 1/2 to issue price.

S.G. Warburg brought a £100m issue for Unilever, the borrower's first foray into the sterling Eurobond market. With a 12 1/2 per cent coupon and an issue price of 101 1/4, the bonds were given a fixed ref-

ered price of 99.90, which appeared to hold in spite of the weakening of the gilt market.

The referrer price the issue yielded 88 basis points over the 10 per cent of 1994, (93 basis points at full fees).

J.P. Morgan's deal for its own London branch has a similar maturity, a 12 1/2 per cent coupon and a 101.425 issue price. At full fees that yielded 100 basis points over the gilt.

With sterling's recent weakness some retail demand was expected to emerge, particularly in Germany. In spite of the poor underlying market, all performed creditably, holding their yield spreads.

Deutsche also brought a £100m five-year deal in its home market with a 7 1/2 per cent coupon and 100 1/4 issue price.

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount \$m	Coupon %	Price	Maturity	Fees	Book runner
Swedish Export Credit (a)	200	12	100 1/4	1991	1 1/2	Bankers Trust Int.
Swedish Nat'l Housing Fin. (a)	200	8 1/4	101 1/4	1995	1 1/2	Nomura Int.
CANADIAN DOLLARS						
Tor-Dominion Bk (a)	100	11 1/4	101.95	1992	1 1/2	Hambros Bank
AUSTRALIAN DOLLARS						
Australia Nat. Railways (a)	120	Zero	23.80	2002	1 1/2	Fay, Richey & Co.
Cwealth Bank Australia (a)	100	14	101.40	1995	2 1/2	Hambros Bank
STERLING						
Unilever (a)	100	12 1/2	101 1/4	1994	1 1/2	S.G. Warburg Secs.
Deutsche Bank Finance (a)	100	12 1/2	101 1/4	1994	1 1/2	Deutsche Bank Corp. M&S
Morgan Guaranty Trust (a)	100	12 1/2	101.425	1994	1 1/2	J.P. Morgan Secs.
D-MARKS						
Deutsche Finance Neth. (a)	100	7 1/2	100 1/4	1995	n/a	Deutsche Bank
YEN						
Svenska Handelsbanken (a)	4.2bn	8 1/4	101 1/4	1993	1 1/2	Bankers Trust Int.
United Bank of Japan (a)	1.2bn	8 1/4	101 1/4	1993	1 1/2	United Credit Int.

(a) Final terms. (b) Non-callable. (c) Redemption linked to Nikkei stock index. (d) Borrower option to redeem in either \$ or per or in Ecu at \$1.15 per Ecu.

## Canada may tighten rules for securities marketing

By Robert Gibbons in Montreal

CANADIAN regulators have proposed stringent rules for the marketing of securities, with the aim of reducing misleading and high-pressure campaigns.

The most controversial aspect is that private placements of stock would be regulated closely and investment firms' costs and risks in the distribution of securities generally would be significantly

raised. The securities industry must comment by January 31.

The new rules would set strict guidelines for advertising securities offerings, whether by prospectus or private placement.

Greater disclosure would be required for private placements. Additional filings and delays would add to underwriting costs under the new rules.

## Investment bank to be launched in Pakistan

THE International Finance Corporation, a World Bank affiliate, American Express, and a Pakistani company are to launch an investment bank, sources report.

Of the proposed bank's \$50m (\$2.4m) sponsors equity, the IFC will put in \$5m with American Express and the local company, Packages, sharing the remainder equally.

Another \$50m will be raised through public subscription.

## LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS		Tuesday January 2 1990										
& SUB-SECTIONS												
Figures in parentheses show number of stocks per section												
	Index No.	Day's Change	Est. Earnings Yield (%)	Gross Div. Yield (%)	Est. P/E Ratio	yd adj. 1990 to date	Index No.	Index No.	Index No.	Index No.	Year ago (approx)	
			(12.19)	(4.54)	(10.00)	0.00						
1	CAPITAL GOODS (202)	+9.83	+0.9	12.19	4.56	10.00	0.00	927.39	927.39	916.94	775.54	
2	Building Materials (27)	+11.61	+0.6	13.56	4.87	9.19	0.00	1142.39	1142.39	1116.31	939.86	
3	Contracting, Construction (36)	+27.40	+1.5	26.06	4.96	8.16	0.00	1551.82	1551.82	1519.45	1468.31	
4	Electricals (10)	+26.66	+0.8	18.06	4.43	8.24	0.00	2644.89	2644.89	2640.89	2294.30	
5	Electronics (30)	+19.44	+0.7	9.40	3.76	13.44	0.00	1938.96	1938.96	1928.58	1776.40	
6	Engineering-Aerospace (8)	+48.22	+0.5	12.32	4.82	10.02	0.00	486.08	486.08	0.00	0.00	
7	Engineering-General (44)	+48.03	+0.6	11.50	4.80	10.48	0.00	486.08	486.08	0.00	0.00	
8	Metals and Metal Forming (6)	+48.03	+0.3	24.31	6.29	4.64	0.00	478.78	478.78	474.35	452.45	
9	Motors (16)	+39.28	+1.7	12.94	5.37	8.66	0.00	386.31	386.31	382.32	284.24	
10	Other Industrial Materials (25)	+1745.78	+0.4	9.61	4.12	12.08	0.00	1738.28	1738.28	1725.54	1511.63	
11	CONSUMER GROUP (180)	+1337.82	+0.5	8.50	3.55	14.71	0.00	1331.80	1331.80	1321.92	1016.74	
12	Brewers and Distillers (22)	+1596.75	+0.7	9.20	3.38	13.58	0.00	1546.20	1546.20	1539.47	1212.42	
13	Food Manufacturing (19)	+1704.98	+0.1	9.24	3.76	14.65	0.00	1735.17	1734.74	1735.91	1624.04	
14	Footwear (11)	+167.48	+0.6	8.89	4.13	14.40	0.00	1735.17	1734.74	1735.91	1624.04	
15	Health and Household (13)	+2738.26	+0.6	5.72	2.39	20.82	0.00	2722.96	2722.96	2718.20	2778.20	
16	Leisure (34)	+1673.12	+0.1	7.99	3.54	15.11	0.00	1671.48	1671.48	1651.89	1346.22	
17	Packaging & Paper (15)	+562.40	+0.9	11.85	5.13	10.60	0.00	557.95	557.95	551.57	523.88	
18	Publishing & Printing (17)	+3778.37	+0.7	12.54	5.17	8.66	0.00	3762.64	3762.64	3751.78	3284.24	
19	Stores (31)	+811.79	+0.2	10.82	4.61	12.43	0.00	802.39	802.39	802.39	679.97	
20	Textiles (13)	+533.04	+0.6	10.84	5.61	11.19	0.00	529.97	529.97	526.78	444.71	
21	OTHER GROUPS (103)	+1214.40	+0.8	10.55	5.40	11.35	0.00	1204.48	1204.48	1194.58	896.15	
22	Agencies (16)	+2566.24	+0.1	6.75	2.31	18.19	0.00	2544.64	2544.64	2542.40	2020.84	
23	Chemicals (16)	+129.32	+0.2	10.82	4.61	12.43	0.00	1284.42	1284.42	1274.77	1024.42	
24	Conglomerates (14)	+206.52	+0.2	10.96	5.27	18.68	0.00	163.07	163.07	162.85	125.94	
25	Transport (13)	+2378.87	+0.5	10.17	4.04	12.52	0.00	2342.98	2342.98	2306.79	1844.30	
26	Telephone Networks(2)	+1277.38	+0.0	9.94	4.07	13.88	0.00	1284.84	1284.84	1284.38	1002.43	
27	Water(10)	+197.48	+0.9	17.55	5.45	13.10	0.00	196.65	196.65	196.65	131.00	
28	Foodstuffs (14)	+1271.24	+0.1	4.20	1.25	15.52	0.00	1396.64	1396.64	1395.49	1187.15	
29	INDUSTRIAL GROUP (485)	+1213.93	+0.7	10.65	4.09	12.10	0.00	1205.72	1205.72	1195.49	935.74	
30	Oil & Gas (15)	+2375.71	+0.5	8.74	4.63	15.12	0.00	2464.61	2464.61	2436.78	1725.77	
31	500 SHARE INDEX (500)	+1319.17	+0.7	9.86	4.17	12.52	0.00	1310.62	1310.62	1306.66	1082.81	
32	FINANCIAL GROUP (116)	+665.68	-0.1	-	-	4.89	-	0.00	866.85	866.85	847.4	670.86
33	Banks (9)	+894.20	+0.2	19.26	5.62	6.62	0.00	892.48	892.48	882.52	657.74	
34	Insurance (Life) (7)	+761.99	-0.3	-	-	4.54	-	0.00	1463.80	1463.80	1456.86	937.46
35	Insurance (Compensat) (7)	+1453.99	-0.1	-	-	4.54	-	0.00	1463.80	1463.80	1456.86	937.46
36	Insurance (Fiduciary) (6)	+176.65	-0.9	6.31	5.95	21.09	0.00	1187.21	1187.21	1187.21	528.72	
37	Investment (10)	+484.30	-0.2	-	-	3.57	-	0.00	483.49	483.49	478.51	318.85
38	Property (49)	+1221.61	-0.4	7.47	3.49	16.93	0.00	1233.07	1233.07	1223.66	1198.13	
39	Other Financial (28)	+342.26	+0.5	12.33	6.13	10.40	0.00	340.64	340.64	337.72	249.40	
40	Investment Trusts (68)	+1601.26	-0.2	-	-	4.76	0.00	1598.64	1598.64	1598.64	1222.24	
41	Foreign Trans (9)	+1601.26	-0.2	8.63	4.94	19.33	0.00	1684.27	1684.27	1705.05	1273.76	
42	ALL SHARE INDEX (689)	+1210.92	+0.5	-	-	4.24	-	0.00	1204.70	1204.70	1193.66	922.22
43	Index No.	Day's Change	Day's Low (D)	Day's High (H)	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Year ago	
44	FT-SE 100 SHARE INDEX	+2494.1	+11.4	2493.3	2425.5	2422.7	2398.8	2395.8	2362.0	2353.0	1782.0	

## UK COMPANY NEWS

## Fergabrook £6m publishing purchase

By John Thornhill

FERGABROOK GROUP, the USM-quoted distributor and maker of footballs, toys and plastics, is broadening its interests in publishing and promotions through the acquisition of a division of Celebrity Group Holdings for up to £6m.

The acquired division embraces a variety of activities, including the publication of comics and magazines, such as *Basketball Weekly*, *Rupert Bear*, and *Count Duckula*, based on the vegetarian vampire duck character which Fergabrook makes as a toy.

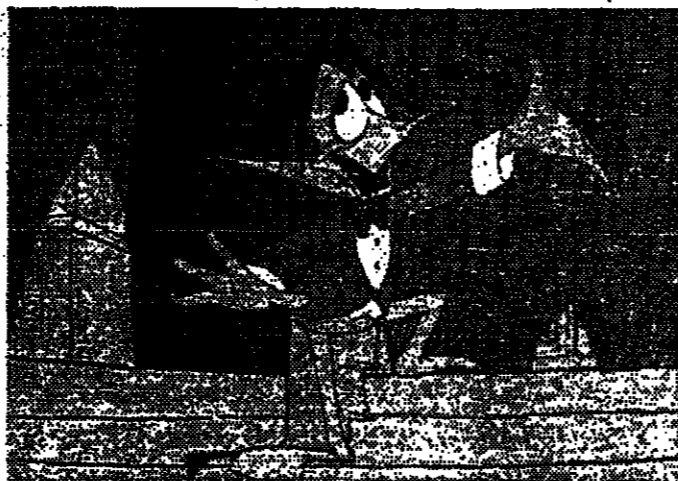
It also promotes soccer and rugby league sporting events and is expanding into corporate videos and conference and seminar management. In the year to the end of January 1989, the division reported pre-tax profits of £1m and at that date had net assets of \$450,000.

Fergabrook, which is in the process of changing its name to Clearmark Group, is to pay an initial \$3m in cash and credit agreements, and may make a further payment of up to \$2m in shares depending on the division's profit performance over the next two years.

Mr Philip Harrison, chief executive of Fergabrook, who has helped revamp the company after a reverse takeover in September 1988, said he had looked at over 50 possible acquisitions before concluding this deal, and was convinced the purchase was a good one.

"Every one of the division's product areas related to one of our activities. It fitted beautifully and we could not walk away from it," he said.

Since the takeover in 1988, Fergabrook has largely diversified away from the toy industry and is now best-known for selling about 12m Wembley



Count Duckula: featured in one of the comics being acquired and Frido plastic footballs a year.

Mr Alan Kingston, one of the original founders of Celebrity, will join Fergabrook as managing director of its new division, and will enter into a three year service contract, receiving an

## Berry Birch associate disposes of lossmakers

INTERPLEX Technologies, an associated company of Berry Birch and Noble, the USM-quoted financial services and microelectronics group, has disposed of two loss-making subsidiaries - Global Specialties Corporation (GX) and E&L Instruments.

The share capitals of the two micro-electronics companies held by Interplex have been bought for a nominal consideration by E&L Technologies, a newly-formed management buy-out company.

At the same time Berry Birch acquired, for a nominal consideration, the remaining 50 per cent of Interplex that it did not

already own. As part of the arrangements for the settlement of inter-company debt, E&L Technologies has issued 40,000 'A' preference shares of £1 each to Berry. Certain other inter-company debt has been written off.

In the six months to end-July 1989 Berry reported a loss of £375,000, which resulted in the resignation of Mr Ron Springall as chairman.

Its share of the pre-tax loss of the associated companies then was £55,528, and the net effect of these transactions on its accounts for the six months to end-January 1990 is estimated at a loss of £20,000.

## COMPANY NEWS IN BRIEF

**ARMSTRONG EQUIPMENT:** The offer made by Caparo for the preference capital has been accepted in respect of 92,197 shares (92.2 per cent). The offer will remain open until further notice.

**BARDSEY:** Recommended offers by Beckenham Group have been declared wholly unconditional. In aggregate, acceptances valid in all respects have been received in respect of 60.6 per cent of the Bardsey capital as enlarged by the exercise of the Bardsey warrants.

**KLEINWORT BENSON Investment Management:** Net asset values of funds managed at December 22 1989 - Jos Holdings 187.3p; Kleinwort Charter Investment Trust 193.8p; Kleinwort Overseas Investment Trust 205.4p; Kleinwort Smaller Cos Investment Trust 166.1p; The Merchants Trust 226.2p.

**MERGER CLEARANCE:** The proposed acquisition by Thomson EMI Home Electronics (UK) of certain assets of Bennett and Fountain Group will not be referred to the Monopolies and Mergers Commis-

sion. **MORGAN GRENFELL:** Deutsche Bank's £950m bid has been declared unconditional. The bank controls about 59.5 per cent of Morgan's shares. The offer remains open until further notice.

**MMT COMPUTING:** 500,000 new ordinary shares were issued for cash on December 29 at 143.5p. The shares were placed with institutional clients of Albert E Sharp and Co.

**THAI PRIME FUND:** The unaudited net tangible asset backing per preferred share at December 25 was US\$18.81.

**TRINITEC:** Metrologie International, Paris-based computer distribution group, has acquired the balance of Trinitec (in which it already had a 22 per cent stake). It is, at the same time, forming Metrologie, which will be the UK holding company for both the newly-acquired Trinitec and Rapid Retail, which is already 100 per cent Metrologie owned. The acquisition of Trinitec was for cash as well as shares in the new Metrologie.

## Carron Phoenix switches backing to Franke cash offer

By John Thornhill

A STRUGGLE for control of Carron Phoenix broke out yesterday as the Falkirk-based domestic sink manufacturer announced it had recommended an £8.2m cash offer from the Swiss-based Franke Holdings company.

The recommendation superseded a £6.8m agreed bid from Groupe Bene, a private French company, which was made about two weeks ago.

Bene said last night that it was considering its position and that it would make a further announcement in due course.

The news was not totally unexpected as Carron Phoenix had said last week that it was in discussions with Franke. Its

shares fell 5p yesterday to close at 74p.

Franke, a privately-owned holding company of a multinational group of companies, manufactures stainless steel and polymer kitchen sinks. It said that a merger of its interests with those of Carron Phoenix would enable it to offer a broader range of sinks and catering equipment in wider markets in Europe and North America.

Franke already owns 6.4 per cent of Carron Phoenix shares and has received acceptances representing a further 26.3 per cent. Its offer values each Carron share at 75p, compared with Bene's 60p offer which is worth per share.

## Norfolk Capital to sell Sloane Club for £18m

By Andrew Hill

NORFOLK CAPITAL Group is to sell London's Sloane Club to a private company for £18m.

The hotel group - which is threatened with a management coup by Edinburgh-based Balmoral International - bought the Sloane in May 1988 for £14.5m.

Thomas Peterson Associates is to buy the Sloane for cash. It is the private company's first investment in the UK hotel market. The sale proceeds will be used to reduce Norfolk's borrowings to £22m, or 25 per cent of shareholders' funds.

Norfolk stressed yesterday that the sale was part of a "continuous management review" of its portfolio and had not been prompted by the unwelcome approaches of Bal-

moral, which owns a 12 per cent stake in Norfolk.

The hotel company said the Sloane, a middle-market members-only residential club, looked out of place next to the more upmarket St James's Clubs in London, Paris and Los Angeles, which it also owns.

At the end of 1988, the Sloane Club Group's net assets stood at £16.3m and its trading profit for the 11 months to November 30 1988 was £1.06m.

A triumvirate headed by hotelier Mr Peter Tyrie, Balmoral's managing director, wants to oust Norfolk's managing director, Mr Peter Eyles, and take over management of the group. A special shareholder meeting is to be held at the end of this month.

## Eurocom has 10% of WCRS

Eurocom, the French advertising agency, has acquired a 10 per cent holding - or 7.21m shares - in WCRS, the UK marketing group.

The transaction forms part of an agreement - struck last autumn when Eurocom bought 60 per cent of WCRS's advertising interests - that the French agency could acquire up to 14.99 per cent of WCRS's equity.

This advertisement appears as a matter of record only.

## THE BECKENHAM GROUP plc

has merged with

## BARDSEY PLC

Initiated and introduced by



## CHESCOR

Member of The Securities Association

14 Pall Mall, London SW1Y 5LU. Tel: 01-839 4121 Fax: 01-839 1131

## TENDER NOTICE

## UK GOVERNMENT ECU TREASURY BILLS

For tender on 9 January 1990

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 900 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 January 1990. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 900 million of Bills to be issued by tender will be dated 11 January 1990 and will be in the following maturities:

ECU 300 million for maturity on 15 February 1990  
ECU 300 million for maturity on 12 April 1990  
ECU 300 million for maturity on 12 July 1990

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 9 January 1990. Payment for Bills allotted will be due on Thursday, 11 January 1990.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 11 January 1990 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 12 July 1990. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England  
2 January 1990

## GOLF FUND PLC

GIROZENTRALE GILBERT ELIOTT ARE PLEASED TO ANNOUNCE THE PRIVATE PLACING AT PAR OF 23.1 MILLION £1 ORDINARY SHARES IN GOLF FUND PLC

Girozentrale Gilbert Elliott  
is a subsidiary of  
Girozentrale Waffel.

## COMPANY NOTICES

## A/S VARDE BANK

USD 15,000,000  
FLOATING RATE SUBORDINATED NOTES DUE 1994  
In accordance with the provisions of the notes, notice is hereby given that for the period 29 December 1989 to 29 June 1990, the notes will carry a rate of interest of 8 1/4% per annum with a coupon amount of USD \$4,360.42.

## CHEMICAL BANK AGENT BANK

This announcement appears as a matter of record only.



## Banca della Svizzera Italiana

London Branch

U.S. \$150,000,000  
Euro-Commercial Paper  
and Certificate of Deposit Programme  
Standard & Poor's A-1+, Moody's P-1

Arranged by

S.G. Warburg Securities

Dealers

Barclays de Zotte Wadd Limited

S.G. Warburg Securities

December 1989



## Notice of Annual General Meeting

The Shareholders of Perstorp AB are hereby invited to attend the Annual General Meeting to be held on Saturday, 27th January, 1990 at 10 a.m. (Swedish time) at Persgården, Perstorp AB's employee centre in Perstorp, Sweden.

## Agenda

1. Election of Chairman to preside at the Meeting.
2. Preparation and approval of a voting list.
3. Election of two persons to approve the minutes.
4. Examination of whether the Meeting has been properly convened.
5. Presentation of the Annual Report, the Auditors' Report on the Parent Company, the Consolidated Accounts and the Auditors' Report on the Group.
6. Consideration of resolutions in respect of the following:
  - (a) the adoption of the Parent Company Income Statement, the Parent Company Balance Sheet, the Consolidated Income Statement and the Consolidated Balance Sheet;
  - (b) the appropriation of the Company's profit according to the adopted Balance Sheet; and
  - (c) the Directors' and the Managing Director's discharge from liability.
7. Determination of the number of Directors and deputy members of the Board and Auditors.
8. Determination of the fees for the Board of Directors and the Auditors.
9. Election of the Board of Directors and the Auditors.
10. Closing.

In order to take part in the Annual General Meeting, Shareholders must be registered in the Shareholders' Register maintained by the Swedish Securities Register Centre (Värdepapperscentralen VPC AB) not later than Wednesday, 17th January, 1990. Shareholders who have placed their shares in trust must temporarily re-register the shares in their own names to allow them to participate in the Meeting. Such re-registration must be made not later than Wednesday, 17th January, 1990.

A Shareholder may attend and vote at the Meeting in person or by proxy but in accordance with Swedish practice the Company does not send forms of proxy to its Shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

Notification of intended participation in the Annual General Meeting must be given to Perstorp AB not later than Tuesday, 23rd January, 1990 at 3 p.m. (Swedish time):

by telephone, by calling (010) 46 435-38286 (direct line); or  
by mail, addressed to Perstorp AB, S-284 80 Perstorp, Sweden.

The Company will confirm receipt of notice of participation by sending an admission card to be shown at the Meeting. This confirmation will also include a detailed description of the most suitable route to Persgården.

The Board of Directors has decided to propose that the Record Date for dividends be Wednesday, 31st January, 1990. Should this be approved, it is anticipated that the dividend will be distributed by the Swedish Securities Register Centre on Wednesday, 7th February, 1990.

Perstorp, January 1990  
The Board of Perstorp AB

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any of the Ordinary shares.

Application has been made to the Council of The Stock Exchange for permission to deal in the whole of the Ordinary shares in the Unlisted Securities Market. It is emphasized that no application has been made for such shares to be admitted to the Official List. Subject to the passing of the resolutions to be proposed at the Extraordinary General Meeting of the Company to be held on 8th January, 1990 it is expected that dealings in the Ordinary shares will commence on 9th January, 1990.

## AUDIO FIDELITY PLC

(Incorporated in England under the Companies Act 1948, registered no. 514718)

## Introduction to the Unlisted Securities Market

## YORK TRUST LIMITED

of  
69,146,581 Ordinary shares of 10p each

## Share capital following the introduction

Authorised	Issued and to be
£9,000,000	£2,914,658
In Ordinary shares of 10p each	

Particulars cards relating to the Ordinary shares are available in the statistical services of Exal Financial Limited. Copies of the particulars cards may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 5th January, 1990 from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD (for collection only) and up to and including 17th January, 1990 from:

Audio Fidelity PLC  
Sandwich Way  
Crossgates  
Leeds LS15 8AL

York Trust Limited  
3 Finsbury Square  
London EC2A 1AD

3rd January, 1990.

## Milk Marketing Board

## £75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 29th December, 1989 to 29th March, 1990 has been fixed at 15 1/4 per cent per annum. Coupon No. 16 will therefore be payable on 29th March, 1990 at £1,880.14 per coupon from Notes of £50,000 nominal and £1,880.01 per coupon from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD.  
Agent Bank

## UK COMPANY NEWS

# Stanley Leisure shrugs off adverse publicity and buys more casinos

By Andrew Hill

STANLEY LEISURE Organisation is to stake up to £10.75m in cash on the development of its gaming business by acquiring Leisure Leisure's provincial casino division.

Mr Paul Olive, finance director at Stanley, said yesterday: "There has been quite a bit of adverse publicity about the performance of casinos, but that's mostly in London. Provincial casinos are not adversely affected by lower consumer spending."

Mr Olive said the provincial gaming business was not dependent on the "high-rollers", who help decide the fortunes of London casinos. At a Stanley casino, the average nightly drop - the amount wagered by a client - is about £100. According to Mr Olive, high interest rates have hardly affected the size of the drop. "If anything, business has got better."

Leading Leisure - which also announced another disposal yesterday, and the formation of a joint venture for most of its property interests - has been selling peripheral businesses to reduce borrowings to below twice shareholders' funds.

The Third Market company is to concentrate on its hotel, bingo and leisure park operations.

As part of the deal, Leading Leisure has an option to sell the freehold of two of its casino properties to Stanley for £4m in December.

The purchase will give Stanley, which also runs a chain of betting shops and snooker clubs, control of eight casinos, to add to the nine it already owns. It makes the group Britain's third largest casino operator, behind Mecca Leisure and Stakis. News of the acquisition helped push Stanley's

share price up 7p to 243p yesterday.

Most of the existing Stanley casinos are in the north of England; the Leading Leisure operations are in Bolton, Liverpool, Southport, Coventry, Bournemouth, Southampton, Margate and Portsmouth. Stanley will pay Leading Leisure an initial £9.25m in cash - pushing up its own borrowings to about 45 per cent of shareholders' funds - and a further £1.5m, in two instalments on the first and second anniversaries of the acquisition.

In 1987-88, Leading Leisure's casinos made £1.34m pre-tax profit on turnover of £7.34m. Net assets were £1.5m and net liabilities, excluding deferred tax, £2.8m.

Leading Leisure's other sale is of Nouveaux Products, a security door business. It is being bought by a manage-

ment team headed by Mr Raymond Jordan, who is stepping down as a director of the parent company. The deal will cost the MBO team roughly £1.25m - the value of assets - less current liabilities and inter-group indebtedness. Payment will be in loan stock.

Separately, Wykeham Group, a private property company, is to be Leading Leisure's partner in a new joint venture, Duchy Parklands, which will take on existing commercial joint ventures between the two companies, and their commercial development sites. The sites include development land near the M27 and in the Isle of Wight.

Leading Leisure said its commercial sites could be worth up to £25m. That would be paid partly in cash with the group keeping an interest in the joint venture through loan stock and equity.

## BOM delivers blow to recovery hopes

By Ray Bashford

LONG TERM shareholders in BOM Holdings should have become hardened to bad news. However, the latest statement from the board will come as a severe blow to any lingering hope of a substantial recovery in their investment.

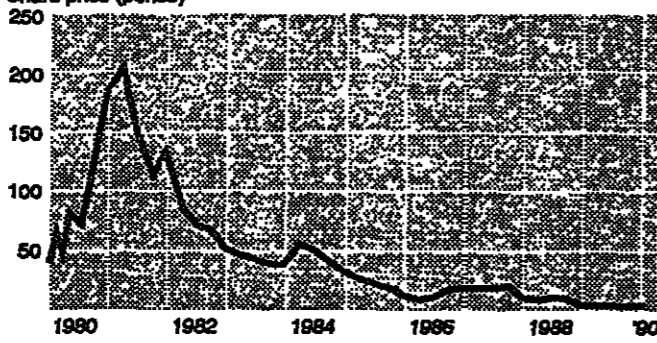
The letter to shareholders, sent last Friday, opens another chapter in the company's eight-year history of woe which has seen the share price slump to the 2.5p suspension price while a succession of disasters and disappointments has unfolded. The shares have dropped to one-tenth of their value since the October crash and to 100th of the peak value.

The ruling by the Stock Exchange that the company was "not suitable to be relisted" virtually ends any chance that the company's 20,000 shareholders, who collectively own 400m shares, will be able to find a market for their investment.

The letter makes it clear that the company is in a dire financial position and is further dogged by legal action against

### BOM Holdings

Share price (pence)



Arthur Andersen, the international accountancy firm.

"The company is now critically short of working capital and certain banks have demanded repayment of their loans," the letter states.

The group's immediate financial problems surround the purchase in September 1987 of Albacode Group, the leather furniture and kitchens fittings group, for £16.5m. Its

drain on resources and dismal outlook has forced the board to appoint a receiver for the subsidiary.

BOM claims that as a result of overstatement of stocks and debtors at the time of the acquisition, write-offs and costs of £2.3m were incurred and a further £1.1m has been expended on re-organisation. The company suffered operating losses of £4.9m in the 18

months to July 31 last year.

The agreed payment of £3m by Mr DN Rayner and vendors of Albacode as settlement of a warranty claim will help ease the squeeze. However, BOM's success in extricating itself from its investment in Albacode will depend heavily on the court action it is taking against Arthur Andersen which said last night said it would vigorously contest.

BOM's other asset, 400 acres of land surrounding a disused oil refinery on the Medway in Kent, has been sold for £12m and 20 per cent of the equity in the purchaser, after the board considered seeking the appointment of a receiver for the entire group.

The land has been sold to Surlaunch. Mr Alec Buryard, BOM's company secretary, said that the deal with Surlaunch had been done "at totally arms length".

Directors said that the forced disposal of the land would have resulted in a "significantly" lower value being realised for the land.

## Sights set on new horizons

Barry Riley on the relaunch of Merchant Navy Inv Management

A NEW Argosy will set sail on January 10. Mr Geoffrey Musson's investment management team will shake itself free of the tramp shipping image of the past, when it operated as Merchant Navy Investment Management, and will be relaunched as Argosy Asset Management.

The rebranding exercise sets the seal on the paradoxical emergence of a vigorous and independently-minded financial services business from the apparently unpromising bureaucratic confines of a merchant shipping industry trade body.

In the year to September 30, MNIM raised its pre-tax profits from £1.1m to £1.66m and increased by 45 per cent (to £575,000) the dividend paid to Ensign Trust, the listed investment trust which is MNIM's immediate parent company.

During 1989 new offices were set up in Melbourne and Boston, as the start of an international development strategy. The company now looks after assets totalling well over £2bn.

According to Mr Musson, the managing director, this is the clearest example of a pension fund management operation setting itself up independently and diversifying its client base. Other in-house pension fund management units have been incorporated and have acquired separate identities - the biggest is Postal, which serves both the Post Office and British Telecom - but none has broadened its base in the

same way. This year more than two-thirds of the company's revenue will be generated by clients other than the merchant navy funds.

It was a case of necessity, implies Mr Musson. Once research partner of James Capel, the stockbroker, he joined the Merchant Navy Officers Pension Fund as investment manager in 1977 (there is also a separate ratings fund) but soon realised he was serving a declining industry. There were 32,000 active officers in 1978, but there are only 8,500 now.

In the circumstances, the trustees of the fund came to realise they could not keep together a skilled management team unless they were prepared to look beyond the boundaries of the merchant navy.

To some extent the status of the merchant navy fund as an industry-wide scheme made this diversification easier. Many different shipping companies were already involved, and it was therefore easier for them to agree to accept new clients. In contrast, most pension funds are set up as single company schemes with rather narrow corporate objectives.

The trustees of the merchant navy funds therefore embarked on a lengthy process of change. Crucially, they bought 80 per cent control of Ensign Trust, which has had the pension fund management activity injected into it, and which remains a pivotal element in the structure.

Ensign has the ability to funnel capital into other small companies, such as Aberdeen Trust, owner of another fund management business, in which Ensign has a 49.9 per cent stake.

Mr Musson is insistent that the investment management business must pay its way. "One of the things we have taken seriously is the need to remain highly profitable," he says.

"That profitability guarantees people's jobs and the continuity of the whole process." His objective, he states, is to run the fund management company "with the highest return on capital".

He captains a tight ship, with only 40-odd people in the Finsbury Circus offices and a separate administration office in Leatherhead, Surrey. But the costs of the new overseas offices will hit harder this year.

The aim is to preserve profitability by focusing on niche areas. MNIM has not, for instance, so far entered the highly competitive struggle for big pension fund management contracts, where the leading merchant banks and insurance companies dominate. Nor has it moved into the unit trust marketing business, although the associate Abtrust has done so.

"We regard ourselves as being at the wholesale end of the market," says Mr Musson. The company has focused, for example, on investment trusts.

Last September it took control of the Alva Investment Trust, changed its name to Worth, and linked up with Edmond de Rothschild Banque to devise a strategy of investing only in companies selling luxury goods.

Now the new Argosy name will underline the broadening of the client base. It is also intended to make foreign institutions more accessible: according to Mr Geoffrey Musson, potential clients in the US midwest are unlikely to understand even what a merchant navy is, let alone how it might be relevant to their investment requirements.

The ultimate ownership remains with the merchant navy pension funds, however, through an 80 per cent holding in Ensign (which is due to be reduced to 75 per cent in due course).

Although Argosy has acquired PLC status, this is claimed to be merely in order to improve its image. The staff do not have options, and are remunerated according to a bonus structure. "At this stage it is not in anybody's mind that the company will float," insists Mr Musson firmly.

All the same, on January 10 Argosy Asset Management, the pension fund investment management company which "externalised" itself, will be weighing anchor and starting on a new leg of an unusual, and perhaps unique, corporate voyage.

### Delta expands in Australia

Delta, the electrical equipment, engineering and industrial services company, has announced further acquisitions by two of its Australian subsidiaries in specialist electrical distribution and protective coatings, for a total A\$7.5m (£3.6m).

Industrial Galvanisers has purchased the two Perth coating facilities of Bowater Industries Australia for A\$3.4m and Bell-IRH Industries has acquired the Werburton division of Antitec, a distributor of electronic controls, sensors and instruments.

### Kingfisher acceptances total only 0.13% of Dixons at first closing date

By John Thornhill

Kingfisher, the retail group, revealed yesterday that it had received acceptances representing only 0.13 per cent of Dixons' shares at the first close of its fiercely contested £568m offer for the UK electrical retailing group.

Kingfisher said the level of acceptances was not unexpected at this stage of the offer although Dixons described the response as pitiful.

The announcement came after the close of the stock

market, but Kingfisher's shares had already firmed 2p on the day to 305p and Dixons' shares had risen 1p to 137p. Kingfisher's cash offer values each Dixons share at about 120p.

Kingfisher, which currently owns no Dixons shares, received acceptances for 504,538 ordinary shares and 5.1m preference shares (2.74 per cent of the total).

The offer has now been extended to January 23.

### £1.33m purchase by Metsec

Metsec has bought Hep Cold Rolled Sections for about £1.33m to be satisfied by the issue of more than 290,000 shares at 171.0p and the balance of £234,000 in cash.

For the year to the end of April 1989 Hepsec reported pre-tax profits of £240,000 on turnover of £4.0m. Net assets at the end of the year stood at £498,000 following the payment of a pre-acquisition dividend of £50,000.

Hepsec produces cold rolled sections for use by the suspended ceiling, roofing and partitioning industries.

## VLAKFONTEIN GOLD MINING COMPANY LIMITED

("VIAKFONTEIN")

(Registration No. 05/06155/06)

(Incorporated in the Republic of South Africa)

### PROPOSED SALE OF DROOGEBOULT MINING TITLE TO NIGEL GOLD MINING HOLDINGS LIMITED ("Nigel").

Over the past 13 months the decline in the real gold price and decreasing yield from surface dumps of gold-bearing material have resulted in Vlakfontein passing its last three dividends. The tonnage of payable dump material remaining has declined to a level at which substantial and progressive declines in the tonnage treated per month are inevitable. In these circumstances, unit treatment costs at Vlakfontein's plant are expected to increase to a level which would lead to the otherwise payable underground operation at Droogeboult becoming unprofitable.

Accordingly, with effect from 1 January 1990, it has been decided to sell the Droogeboult mining title and underground equipment and the store at Droogeboult to Nigel for a consideration of R16 million to be satisfied by the transfer to Vlakfontein of 32 million Nigel shares presently held by South East Rand Gold Holdings Limited ("Southgo"). The Droogeboult mining title consists of precious metal claims on the farms Spaarwater and Droogeboult.

The agreement is subject to Ministerial permission for the transfer of the claims forming the Droogeboult mining title to Nigel as well as the shareholders of Vlakfontein, Southgo and Nigel approving the sale in general meetings. A circular setting out details of the Vlakfontein meeting and other pertinent information will be sent to shareholders in due course.

Vlakfontein will now proceed to treat the remaining payable surface material and will then proceed with the clean-up process of gold locked up in and around the plant. These operations will be concluded as quickly and efficiently as possible and are expected to be completed within twelve to eighteen months. All relevant statutory safety and environmental requirements will be complied with in the closure procedure.

Vlakfontein will also seek to dispose of its other assets which include surface freehold, fixed property and plant. No consideration has yet been given to the disposal of the remaining Vlakfontein mining title nor the Nigel shares. Shareholders will be informed in this regard when the need arises.

Shareholders' attention is also drawn to the announcement from Nigel and Southgo published today.

#### Registered and Transfer Offices:

75 Fox Street  
Johannesburg  
2001

#### Sponsoring Broker:

Fergusson Bros., Hall,  
Stewart & Co., Inc.,  
(Registration No. 72/08905/21)  
(Member of the Johannesburg  
Stock Exchange)

Johannesburg  
3 January 1990

A member of the Gold Fields Group

### LEGAL NOTICES

Company No: 2143469

Registered in England and Wales

PETER EDEN LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 482 of the Insolvency Act 1986 that a meeting of the unsecured creditors of the above-named company will be held at:

Shelley House, 3 Noble Street,  
London EC2V 7DD

on Friday, 5 January 1990 at 10.00 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it so wishes, establish a committee to exercise the functions conferred on creditors committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

- they have delivered to us at the address shown above, no later than 4 January 1990, written details of the debt they claim to be due to them from the company, and the claim has been duly admitted under the provision of Rule 3.11 of the Insolvency Rules 1986; and
- there has not been lodged with us any proof which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

R M ADJO  
Date 21/12/89  
J M REDALE  
Joint Administrative Receivers



NATIONAL AND PROVINCIAL BUILDING SOCIETY

£200,000,000

Floating Rate Notes 1996

Notice is hereby given that the

Rate of Interest has been fixed at

15 7/8 p.a. and that the interest

payable on the relevant interest

Payment Date 27 March, 1990

against coupon No. 16 will be

£188.01 per £5,000 Note and

£3,760.27 per £100,000 Note.

Agent Bank:

Lloyds Bank Plc

### International Bank for Reconstruction and Development

Lit 200,000,000,000

Floating Rate Notes

Due 1997

In accordance with the provisions

of the notes, interest is hereby

given that for the interest period

January 2, 1990 to July 2, 1990

the interest rate will carry an

interest rate of 12 1/2% per annum.

Interest payable on the relevant

interest payment date 2nd July 1990

will amount to Lit 3,170,000

per Lit 5,000,000 note and to Lit

3,172,000 per Lit 50,000,000 note.

Agent Bank:

Banque Paribas Luxembourg



**Curragh  
Resources Inc.**



**ASTURIANA DE ZINC, S.A.**



**Banesto**

Banesto's industrial group

### Inform they have reached the following deal on April, 29th 1989:

- CR has bought 20% of AZ shares from Banesto's industrial group at a price of U.S. \$ 113 M.
- AZ has bought 5% of CR shares at a price of U.S. \$ 29 M.

### This deal enables an international vertical integration through the following agreements:

- CR will provide mineral to AZ factories from January 1990 up to 300,000 Tons annually by 1995, and after.
- AZ will expand its productive capacity up to 320,000 Tons (+ 50%) by 1991, and will increase it again according to market conditions.

THIS ANNOUNCEMENT SERVES NO OTHER PURPOSE THAN INFORMATION.

## TECHNOLOGY

David White explains why a new control system being developed for Royal Navy frigates represents a radical change of course

## A beauty waiting for a new brain

Everyone seems to agree that HMS Norfolk, the latest ship to be accepted by the Royal Navy, is a beauty. Clean lines sweeping back from an elegant clipper bow. The problem is that it will be some years before this vessel, or subsequent frigates of its class, will be fit to operate in a war zone.

A change of course in the concept of the command system – the “brain” which processes and displays data from the ship’s sensors and manages the deployment of weapons and the ship itself – means that the next four Type 23 anti-submarine frigates will probably, like the Norfolk, put to sea without one.

The cancellation of the original command and control system and the choice of a successor has been a notoriously protracted saga. But Dowty-Sema, the consortium that has taken over the project, is confident that the Navy will have “the most advanced command system of its type in the world.” This will be at an

undisclosed date, not expected to be before 1993.

The consortium, made-up of the Anglo-French systems company Sema, using displays from Bae, won the £150m fixed-price contract in August. It was a turnaround in several respects.

It spelt the end of a virtual monopoly by Ferranti International, the company that pioneered automated command, giving the UK world leadership in the 1960s. By the same token, it showed the growing credit being given to the chains of equipment houses as prime contractors for defence equipment.

At the same time, the revised project marks a radical shift away from the centralised or near-centralised computer systems now in service. Instead, Dowty-Sema’s project is based on a network of 250 processors, designed to avoid computer bottlenecks. Since these processors are well tried in the civilian market, it also demonstrates the decline of the specialised military computer.

The Type 23, with a crew complement reduced from 250 to about 170, carries an array of ship-borne and helicopter-borne weapons, and both active and passive sensors for detecting threats in the air, and on and beneath the surface. Co-ordinating all this requires a high-speed nervous system. The time available to react to, identify and deflect or destroy an air-launched missile, for instance, might be 20 seconds.

Without the command system, Type 23 frigates will be limited to normal peace-time patrolling tasks, listening for submarines and perhaps missions such as drug seizure. The Navy would not use them for escort operations in the Gulf or a conflict like the Falklands.

The problems of managing a modern warship in a hostile environment, where the picture is confused by neutral and friendly tracks, was dramatically shown up in the Gulf last year when the USS Vincennes, equipped with the latest Aegis system, mistakenly shot down an Iranian civilian airliner.

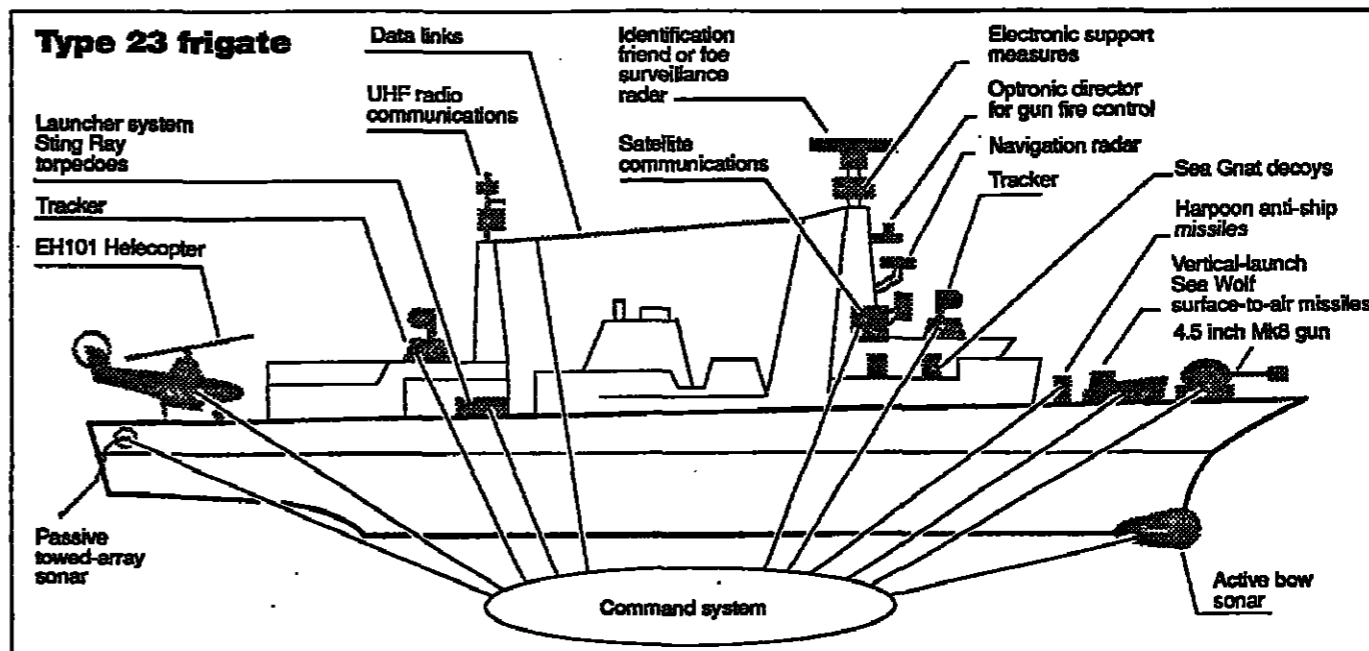
“It is still not clear that we have all the answers,” says one military electronics expert.

The proposed command system requires a complex interaction between four main components: the display consoles (12 multi-function units in the Type 23), the processing electronics, the software (making up the bulk of development costs) and the human element.

It became apparent 30 years ago that the amount of raw sonar and radar data available was too much for sailors to handle. The first systems linked all the sensors into a central computer. Ones like the Aegis are based on small numbers of minicomputers.

Ferranti built its systems around rugged, purpose-made military computers. But as sensors advanced, so did the demands on systems which could not easily be expanded. The Navy now requires built-in expansion capacity.

The original Ferranti contract for the Type 23, known as CACS-4, was cancelled in 1987. Based on minicomputers, it had to take in the new weapon



requirements dictated by Britain's experience in the Falklands. The Ministry of Defence had made a down-payment of £30m, but became increasingly aware that the system would not have the processing power to satisfy the needs of the 1990s, especially with the introduction of a big new sensor – the towed-array sonar. Before cancellation, it had already begun to look for alternatives.

It went for a fresh approach using the Ada high-level programming language. Two parallel project definitions involving distributed system

architectures were ordered from Dowty-Sema and a Ferranti-led consortium. That took over a year and a further half-year was spent clarifying the offers. Dowty-Sema was asked more than 2,000 questions.

Ferranti proposed a system based on 70 microprocessors with more than 100 times the processing power of CACS-4. But Dowty-Sema, in the words of its managing director, Guy Warner, had already “taken that jump.” Three years previously it had clinched an £85m contract for a submarine system, using 150 distributed 32-bit processors.

Warner says the new architecture offers big increases in performance and reliability, providing a choice of parallel paths and reducing the risk of failures and breakdown. The processors, taken from the civilian market where technology has outstripped the military, are inherently more reliable because of their world-wide exposure, he says.

The system is designed so that if one console goes down, the functions are available on another, and there will be multiple copies of the software. Flexibility will be built in, with the facility to add or subtract

processors. “Everybody is now moving towards a distributed Ada system,” Warner says. But nobody has one working. “We believe we will be the first.”

The business brings in £25m a year for Dowty-Sema, but Warner expects this to quadruple in five years. He reckons the world market is around £1bn a year.

Since 1985, the company has been ploughing private venture money into this technology. It will not say how much, but recognises, “if we had not won this, it would have been very bad news.”

## France makes a point of catching up in the mobile phone race

Two subjects of conversation can be almost guaranteed to crop up at smart dinner parties in Paris these days: violence on the metro and the poor quality of France's mobile telephone network.

Not that the two are linked, though radio telephones can provoke some pretty violent reactions from callers who find themselves cut off as they drive between the small cells dotted around Paris. That problem is being resolved as the public operator, France Télécom, which serves more than 90 per cent of France's 150,000 portable telephone users, is recalling 20,000 devices for minor changes to allow “handovers” from one cell to the next. The close on 9,000 subscribers to the rival private network, run by Société Française du Radiotéléphone (SFR), do not have this difficulty.

France Télécom does not usually make such mistakes. Mobile tele-

phony is one of the few areas where this otherwise technologically advanced provider of efficient and cheap telecommunications has failed to be in the forefront in Europe. Mobile phones are used by only 0.27 per cent of the French population, as against 1.25 per cent in Britain or 3.68 per cent in mobile-mad Sweden.

“I want 20 times more mobile phones in France,” says Jean-Jacques Damilant, who recently moved from running France Télécom's mobile phone division to become the organisation's industrial director. “We are lagging perhaps 30 months behind the UK and 60 months compared with Scandinavia. But we are increasing the number of subscriptions at the same rate as those countries.”

At present, French subscribers have access to two radio telephone services. Radiocom 2000 is provided by France Télécom and operates on

network equipment from the French company Matra. The other is from SFR, managed by a subsidiary of Générale des Baux, the water and services group. It uses equipment from Alcatel of France and Nokia of Finland.

Like their British equivalents, French radio telephones are primarily business tools. The average price of a French car phone has fallen from about FF 19,000 (£3,000) to around FF 11,000 over the past year. But that is still much higher than in the UK, where they are sometimes given away.

The next development being prepared by Damilant and his colleagues is a mass-market public mobile phone service to be called Pointel, which is in some ways similar to Britain's telepoint. France Télécom has a minority stake in Phonepoint, one of the UK's four telepoint networks.

While telepoint only allows cus-

tomers to make calls within 200 yards of a radio terminal, Pointel will allow people to receive calls as well by logging into local base stations. These will automatically find and re-route calls made to the customer's main phone.

France Télécom is expected to choose two suppliers from a shortlist of five, including joint ventures between Ferranti, of the UK, and Alcatel, and between GPT, of the UK, and Passant of France among others, to set up a 700-terminal pilot network or series of networks in early 1991.

“We have a target of at least 1m users by 1995,” says Marc Brussol, project director for Pointel. Unofficial estimates suggest the contracts for the full network could be worth between £70m and £100m.

“We believe that the French Pointel market will be a huge one. We see it as being potentially another Minitel (the public video-

text service) in terms of France Télécom's efforts to acquaint the public at large with mobile phones,” says Rupert Soames, chairman of GPTelecom, GPT's French operation.

France Télécom is thinking of Pointel as an extension to or even a replacement for the public phone box, though its room for manoeuvre is restricted by the military's unwillingness to release a wide range of frequencies for civil use. “Frankly, I am carrying the burden of providing a new service without knowing whether I can get the spectrum I need. It's not very pleasant and it needs a lot of diplomacy,” says Damilant.

Beyond that, the challenge is to reduce Pointel charges to the level where the total annual cost for using the system is the equivalent of £100 to £200, making it affordable to a wide population.

Damilant does not plan to fol-

low British Telecom's strategy of identifying terminals with posters. Instead, the aim will be to saturate certain public spaces with terminals, so that users can be sure of being able to make calls near, say, railway stations, traffic lights or large hotels.

France Télécom is not yet convinced about the next generation of mobile phones, called personal communications networks, which would use digital communications and carry a wider range of features than the present radio telephones, such as the ability to transmit computer data.

Damilant is scornful of the British Government's decision to rush ahead with PCNs. He feels the technology has not been fully developed and that the possible applications have yet to be properly explored.

Moreover, France Télécom, like other continental telecommunica-

tions authorities, is not yet sure that it wants to follow the Group Special Mobiles European standards which the British are likely to choose as a base for PCNs. “I don't think a GSM service is really feasible before 1994. The British are taking the risk of taking on a new system without being able to extend it beyond Britain.”

Instead of bringing on stream a number of overlapping mobile services, as is happening in the UK, France aims to develop radio telephony, establish Pointel and then see how it can be extended.

It used this strategy successfully for the 5m-user Minitel which is now moving into a new and exciting phase of development on the strength of its huge customer base. Only time will tell whether the policy will also work for mobile phones.

William Dawkins



## Ingenious

## energy

## engineering

## clears

## the air.

ABB is the world's leading electrical engineering company.

We help industry and utilities all over the world to generate, transmit and use electric power in ways that are economical with the earth's limited resources and compatible with the environment.

We invest continuously in the research and development of new techniques and systems for environmental control.

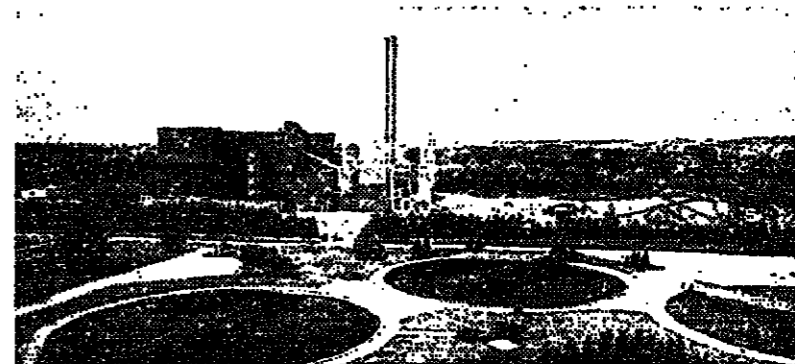
An example is our clean coal power plant based on a unique combustion technique. It is more efficient than any other coal power plant, and its environmental impact is far less.

Our air treatment systems are used for cleaning flue gases in power plants and eliminating other emissions from all types of industrial processes, like the removal of particles and solvents from the air in automobile paint plants.

Our equipment is also used in highly sophisticated waste water treatment and water purification plants.

Our large-scale heat pumps efficiently recover energy from waste water in pulp mills and other power-intensive industries.

ABB's century-old reputation as Europe's foremost electrical engineers continues to grow. We are determined to help clear the air – on into the 21st century.



Flue gas cleaning in waste-to-energy plant.

**ABB**  
ASEA BROWN BOVERI



# Market baulks at its all-time high

is agog for the disclosure of stakes already built up by European and other overseas interests.

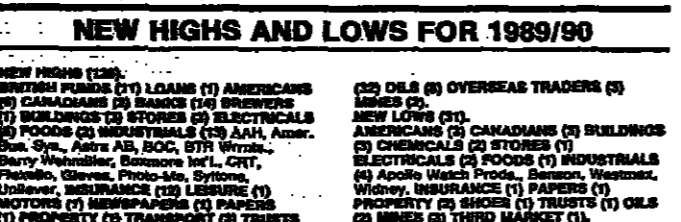
Investment interest was very selective yesterday and across the broad range of the market the mood seemed one of caution. Sharp gains among building stocks reflected very slender turnover, and last week's advances in insurance issues came in for profit-taking.

"Maybe we are not going to see the big January upturn this year," said Mr Paul Harris at Salomon International.

"There are no big buyers in the market, but we do not see much pressure to buy either."

[illegible]

Mr T.D. Carpenter has been appointed a deputy chairman of E.W. PAYNE.



but turnover elsewhere in the banks was small. First National Finance hardened 2 to 243p ahead of today's preliminary figures which are expected to show profits of in the region of £73m.

Composite insurance issues suffered from profit-taking with one dealer noting wide-

company might face US tax liabilities of \$10m. It acquired 70 per cent of the shares and the remaining 30 per cent included 20 per cent held by an escrow agent for the benefit of the US treasury. The Revenue authorised the proposed dividend direct to the escrow agent thus bypassing the procedure payable to the Revenue itself.

their recent advance ahead of the Boat Show which opens at London's Earl's Court tomorrow. The shares closed 25 better at 718p.

**Sasatchi and Sasatchi** gained on the back of late buying in New York last Friday, leaving the shares 18 better at 277p by the close. Steady trading in Rowwater uncovered a bear position and the shares rose 11 to 555p. Globe Investment Trust made its debut on the FT-SE 100 and slipped a ¼ to 105p.

Specialists noted solid buying interest for British Telecom which moved up 3½ to 312½p on good turnover of 4.6m shares. Racal Telecom also progressed, closing 7 to the good at 401p.

British Aerospace eased on weekend press comment that profits from the company's Rover subsidiary were expected to fall short of previous BAe forecasts. After falling to 590p, the shares rallied to close a penny down on the day at 604p.

Ienger 2 tank (for which Vickers have the development contract) because of the outbreak of peace in Europe. Also, Sir Ron Brierley appears to have been trapped as no one will take over his 16.6 per cent stake until the Challenger decision is known."

Bullish press comment at talk of a possible early morning raid today, sent shares of Lucas racing up 20 to 665p.

T & N rose 7 to 213p as the company continued to be supported by a bulk of a north

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 18

---

**J LAURITZEN A/S v  
WIJSMULLER BV  
(FT. October 24)**

In deciding preliminary issues concerning a dispute over the transportation of an oil rig, Hobhouse J held, *inter alia*, that the contract had not been frustrated. Upholding that decision, the Court of Appeal stated that to frustrate a con-

contract, the event had to significantly change "the nature (not merely the expense or onerousness) of the outstanding contractual rights and/or obligations from what the parties could reasonably have contemplated at the time of the con-

plated at the time of the "execution" (see *National Carriers* [1981] AC 675,700). But that was not the case here, where the defendant had two alternative methods of performing the contract and although the other method was available, the defendant had consigned it

under contract elsewhere. Moreover the doctrine of frustration could not be invoked when the frustrating event was at all times within the control of the party who sought to rely on it and who had the means and opportunity to prevent it.

but nevertheless had allowed the frustrating event to come about.

**ALI AND ANOTHER v  
CARRIER  
TRANS-CONTINENTAL CO  
LTD**

By two agreements, Carrier agreed to allocate to CIE and Flamma respectively five per cent of f.o.b. point of shipment value of air conditioning equipment purchased from it, the commission to be payable "in

respect of sales and co-ordination services." CIE was in a position to specify and recommend the use of particular equipment for each project, subject to approval of the Saudi Arabian Ministry of Defence and Aviation. In pro-

ceedings that arose when Carrier refused to pay the commission, Leggat J held that the first agreement contained a clause that the contract should be null and void if it contravened the US Foreign Corrupt Practices Act 1977 and the

court was satisfied, beyond reasonable doubt, that Carrier's promise to pay commission under that agreement constituted a contravention of the Act. However, as no such clause appeared in the second agreement, Carrier was not

**Aviva Golden**

Mr T.D. Carpenter has been appointed a deputy chairman of E.W. PAYNE.

■ **LUNCHRON VOUCHERS**, part of the Accor Group, has promoted Ms Sue Harvey from sales and marketing director to managing director. She introduced the employee benefit scheme, Childcare Vouchers.

■ **ALLIED DUNBAR ASSURANCE**, part of BAT Industries, has promoted Mr Jerry Grayburn and Mr Peter Stemp to the new management level of senior executive directors. Mr Grayburn will be responsible for marketing and sales training, and Mr Stemp for personnel, premises and services.

**Merchant bank**

## chief executive

Mr John Hodson (*pictured*) has been appointed chief executive of SINGER & FRIEDLANDER HOLDINGS and Singer & Friedlander. Mr A.N. Solomons retires as chief executive but remains chairman of both companies and



of Singer & Friedlander Group. Mr. Hodson and Mr. Michael Mel-nish have been appointed joint deputy chairmen of Singer & Friedlander Investment Management. Mr. Peter W. Burditt becomes a director of Singer & Friedlander. He is based at the bank's Bristol office.

Explanation for late or non-payment was that the wrongful act of another had deprived him of the means to pay, should be unreasonable to plead reasonable excuse. In the Harris case, however, the taxpayers had relied on their accountants who had assured them that they were not liable for VAT. The tribunal held that they had "reasonable excuse" for failure to register but Nolan J

substantial scale of those two activities to make good its case that Capricorn had, at date of service, an established place of business on the premises. However, Capricorn was entitled to a stay on the grounds of *lis alibi pendens* in Ohio because, taking all considerations into account, further pursuit of the English action would result in substantial additional expense, inconvenience and delay.

tion, and that the relevant "obligation" was that which characterised the contract. Meurer contended that the place of performance of the obligation was Germany, because that was where the goods were sold and delivered to Medway. Refusing to set aside the writ, *Hobhouse J* stated that the obligation to give notice to Medway was to be performed in the UK.

vened the US Foreign Corrupt Practices Act 1977 and the court was satisfied, beyond reasonable doubt, that Carrier's promise to pay commission under that agreement constituted a contravention of the Act. However, as no such clause appeared in the second agreement, Carrier was not relieved of its obligation to pay.

[illegible][illegible]

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Continued on next page

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2126.

هذه امة الاصل

**FT UNIT TRUST INFORMATION SERVICE**[illegible]

## LONDON SHARE SERVICE

BRITISH FUNDS						BRITISH FUNDS—Contd.						LOANS						
1999/00	High	Low	Stock	Price	Yield	1999/00	High	Low	Stock	Price	Yield	1999/00	High	Low	Stock	Price	Yield	
Low					Int. %	Low					Int. %	High					Int. %	
<b>"Shorts" (Lives up to Five Years)</b>																		
1343	124	124	Truss 2pc 11/98-6/04	1343	2.09	9.98	1031	935	Conversion 9/98-2005	7912	9.99	10.01	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/04	1114	10.10	10.10	1004	984	Widapla 12pc 9/98-10/04	9914	12.58	14.91
991	91	91	Truss 2pc 11/98-6/04	991	2.09	9.98	1114	1014	Exch 10/98-10/									

## LONDON SHARE SERVICE

FINANCIAL TIMES WEDNESDAY JANUARY 3 1990

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-225-2128

## AMERICANS - Contd

1989/90	Stock	Price	Div	Yield	P/E
100	3M Co	100.00	1.50	1.50%	15.00
101	3M Co	100.00	1.50	1.50%	15.00
102	3M Co	100.00	1.50	1.50%	15.00
103	3M Co	100.00	1.50	1.50%	15.00
104	3M Co	100.00	1.50	1.50%	15.00
105	3M Co	100.00	1.50	1.50%	15.00
106	3M Co	100.00	1.50	1.50%	15.00
107	3M Co	100.00	1.50	1.50%	15.00
108	3M Co	100.00	1.50	1.50%	15.00
109	3M Co	100.00	1.50	1.50%	15.00
110	3M Co	100.00	1.50	1.50%	15.00

## CANADIANS

1989/90	Stock	Price	Div	Yield	P/E
111	Alcan Inc	100.00	1.50	1.50%	15.00
112	Alcan Inc	100.00	1.50	1.50%	15.00
113	Alcan Inc	100.00	1.50	1.50%	15.00
114	Alcan Inc	100.00	1.50	1.50%	15.00
115	Alcan Inc	100.00	1.50	1.50%	15.00
116	Alcan Inc	100.00	1.50	1.50%	15.00
117	Alcan Inc	100.00	1.50	1.50%	15.00
118	Alcan Inc	100.00	1.50	1.50%	15.00
119	Alcan Inc	100.00	1.50	1.50%	15.00
120	Alcan Inc	100.00	1.50	1.50%	15.00

## BANKS, HP &amp; LEASING

1989/90	Stock	Price	Div	Yield	P/E
121	Bank of America	100.00	1.50	1.50%	15.00
122	Bank of America	100.00	1.50	1.50%	15.00
123	Bank of America	100.00	1.50	1.50%	15.00
124	Bank of America	100.00	1.50	1.50%	15.00
125	Bank of America	100.00	1.50	1.50%	15.00
126	Bank of America	100.00	1.50	1.50%	15.00
127	Bank of America	100.00	1.50	1.50%	15.00
128	Bank of America	100.00	1.50	1.50%	15.00
129	Bank of America	100.00	1.50	1.50%	15.00
130	Bank of America	100.00	1.50	1.50%	15.00

## BEERS, WINES &amp; SPIRITS

1989/90	Stock	Price	Div	Yield	P/E
131	Beck's Beer	100.00	1.50	1.50%	15.00
132	Beck's Beer	100.00	1.50	1.50%	15.00
133	Beck's Beer	100.00	1.50	1.50%	15.00
134	Beck's Beer	100.00	1.50	1.50%	15.00
135	Beck's Beer	100.00	1.50	1.50%	15.00
136	Beck's Beer	100.00	1.50	1.50%	15.00
137	Beck's Beer	100.00	1.50	1.50%	15.00
138	Beck's Beer	100.00	1.50	1.50%	15.00
139	Beck's Beer	100.00	1.50	1.50%	15.00
140	Beck's Beer	100.00	1.50	1.50%	15.00

## BUILDING, TIMBER, ROADS

1989/90	Stock	Price	Div	Yield	P/E
141	Building Materials	100.00	1.50	1.50%	15.00
142	Building Materials	100.00	1.50	1.50%	15.00
143	Building Materials	100.00	1.50	1.50%	15.00
144	Building Materials	100.00	1.50	1.50%	15.00
145	Building Materials	100.00	1.50	1.50%	15.00
146	Building Materials	100.00	1.50	1.50%	15.00
147	Building Materials	100.00	1.50	1.50%	15.00
148	Building Materials	100.00	1.50	1.50%	15.00
149	Building Materials	100.00	1.50	1.50%	15.00
150	Building Materials	100.00	1.50	1.50%	15.00

## BUILDING, TIMBER, ROADS - Contd

1989/90	Stock	Price	Div	Yield	P/E
151	Building Materials	100.00	1.50	1.50%	15.00
152	Building Materials	100.00	1.50	1.50%	15.00
153	Building Materials	100.00	1.50	1.50%	15.00
154	Building Materials	100.00	1.50	1.50%	15.00
155	Building Materials	100.00	1.50	1.50%	15.00
156	Building Materials	100.00	1.50	1.50%	15.00
157	Building Materials	100.00	1.50	1.50%	15.00
158	Building Materials	100.00	1.50	1.50%	15.00
159	Building Materials	100.00	1.50	1.50%	15.00
160	Building Materials	100.00	1.50	1.50%	15.00

## CHEMICALS, PLASTICS

1989/90	Stock	Price	Div	Yield	P/E
161	Chemicals	100.00	1.50	1.50%	15.00
162	Chemicals	100.00	1.50	1.50%	15.00
163	Chemicals	100.00	1.50	1.50%	15.00
164	Chemicals	100.00	1.50	1.50%	15.00
165	Chemicals	100.00	1.50	1.50%	15.00
166	Chemicals	100.00	1.50	1.50%	15.00
167	Chemicals	100.00	1.50	1.50%	15.00
168	Chemicals	100.00	1.50	1.50%	15.00
169	Chemicals	100.00	1.50	1.50%	15.00
170	Chemicals	100.00	1.50	1.50%	15.00

## DRAPERY AND STORES

1989/90	Stock	Price	Div	Yield	P/E
171	Drapery	100.00	1.50	1.50%	15.00
172	Drapery	100.00	1.50	1.50%	15.00
173	Drapery	100.00	1.50	1.50%	15.00
174	Drapery	100.00	1.50	1.50%	15.00
175	Drapery	100.00	1.50	1.50%	15.00
176	Drapery	100.00	1.50	1.50%	15.00
177	Drapery	100.00	1.50	1.50%	15.00
178	Drapery	100.00	1.50	1.50%	15.00
179	Drapery	100.00	1.50	1.50%	15.00
180	Drapery	100.00	1.50	1.50%	15.00

## ELECTRICALS

1989/90	Stock	Price	Div	Yield	P/E
181	Electricals	100.00	1.50	1.50%	15.00
182	Electricals	100.00	1.50	1.50%	15.00
183	Electricals	100.00	1.50	1.50%	15.00
184	Electricals	100.00	1.50	1.50%	15.00
185	Electricals	100.00	1.50	1.50%	15.00
186	Electricals	100.00	1.50	1.50%	15.00
187	Electricals	100.00	1.50	1.50%	15.00
188	Electricals	100.00	1.50	1.50%	15.00
189	Electricals	100.00	1.50	1.50%	15.00
190	Electricals	100.00	1.50	1.50%	15.00

## ENGINEERING

1989/90	Stock	Price	Div	Yield	P/E
191	Engineering	100.00	1.50	1.50%	15.00
192	Engineering	100.00	1.50	1.50%	15.00
193	Engineering	100.00	1.50	1.50%	15.00
194	Engineering	100.00	1.50	1.50%	15.00
195	Engineering	100.00	1.50	1.50%	15.00
196	Engineering	100.00	1.50	1.50%	15.00
197	Engineering	100.00	1.50	1.50%	15.00
198	Engineering	100.00	1.50	1.50%	15.00
199	Engineering	100.00	1.50	1.50%	15.00
200	Engineering	100.00	1.50	1.50%	15.00

## DRAPERY AND STORES - Contd

1989/90	Stock	Price	Div	Yield	P/E
201	Drapery	100.00	1.50	1.50%	15.00
202	Drapery	100.00	1.50	1.50%	15.00
203	Drapery	100.00	1.50	1.50%	15.00
204	Drapery	100.00	1.50	1.50%	15.00
205	Drapery	100.00	1.50	1.50%	15.00
206	Drapery	100.00	1.50	1.50%	15.00
207	Drapery	100.00	1.50	1.50%	15.00
208	Drapery	100.00	1.50	1.50%	15.00
209	Drapery	100.00	1.50	1.50%	15.00
210	Drapery	100.00	1.50	1.50%	15.00

## ELECTRICALS

1989/90	Stock	Price	Div	Yield	P/E
211	Electricals	100.00	1.50	1.50%	15.00
212	Electricals	100.00	1.50	1.50%	15.00
213	Electricals	100.00	1.50	1.50%	15.00
214	Electricals	100.00	1.50	1.50%	15.00
215	Electricals	100.00	1.50	1.50%	15.00
216	Electricals	100.00	1.50	1.50%	15.00
217	Electricals	100.00	1.50	1.50%	15.00
218	Electricals	100.00	1.50	1.50%	15.00
219	Electricals	100.00	1.50	1.50%	15.00
220	Electricals	100.00	1.50	1.50%	15.00

## ENGINEERING

1989/90	Stock	Price	Div	Yield	P/E
221	Engineering	100.00	1.50	1.50%	15.00
222	Engineering	100.00	1.50	1.50%	15.00
223	Engineering	100.00	1.50	1.50%	15.00
224	Engineering	100.00	1.50	1.50%	15.00
225	Engineering	100.00	1.50	1.50%	15.00
226	Engineering	100.00	1.50	1.50%	15.00
227	Engineering	100.00	1.50	1.50%	15.00
228	Engineering	100.00	1.50	1.50%	15.00
229	Engineering	100.00	1.50	1.50%	15.00
230	Engineering	100.00	1.50	1.50%	15.00

## ENGINEERING

1989/90	Stock	Price	Div	Yield	P/E
231	Engineering	100.00	1.50	1.50%	15.00
232	Engineering	100.00	1.50	1.50%	15.00
233	Engineering	100.00	1.50	1.50%	15.00
234	Engineering	100.00	1.50	1.50%	15.00
235	Engineering	100.00	1.50	1.50%	15.00
236	Engineering	100.00	1.50	1.50%	15.00
237	Engineering	100.00	1.50	1.50%	15.00
238	Engineering	100.00	1.50	1.50%	15.00
239	Engineering	100.00	1.50	1.50%	15.00
240	Engineering	100.00	1.50	1.50%	15.00

## ENGINEERING

1989/90	Stock	Price	Div	Yield	P/E
241	Engineering	100.00	1.50	1.50%	15.00
242	Engineering	100.00	1.50	1.50%	15.00
243	Engineering	100.00	1.50	1.50%	15.00
244	Engineering	100.00	1.50	1.50%	15.00
245	Engineering	100.00	1.50	1.50%	15.00
246	Engineering	100.00	1.50	1.50%	15.00
247	Engineering	100.00	1.50	1.50%	15.00
248	Engineering	100.00	1.50	1.50%	15.00
249	Engineering	100.00	1.50	1.50%	15.00
250	Engineering	100.00	1.50	1.50%	15.00

## ENGINEERING - Contd

1989/90	Stock	Price	Div	Yield	P/E
251	Engineering	100.00	1.50	1.50%	15.00
252	Engineering	100.00	1.50	1.50%	15.00
253	Engineering	100.00	1.50	1.50%	15.00
254	Engineering	100.00	1.50	1.50%	15.00
255	Engineering	100.00	1.50	1.50%	15.00
256	Engineering	100.00	1.50	1.50%	15.00
257	Engineering	100.00	1.50	1.50%	15.00
258	Engineering	100.00	1.50	1.50%	15.00
259	Engineering	100.00	1.50	1.50%	15.00
260	Engineering	100.00	1.50	1.50%	15.00

## ENGINEERING

17	2101	2101	100.00	1.50	1.50%	15.00
18	2102	2102	100.00	1.50	1.50%	15.00
19	2103	2103	100.00	1.50	1.50%	15.00
20	2104	2104	100.00	1.50	1.50%	15.00
21	2105	2105	100.00	1.50	1.50%	15.00
22	2106	2106	100.00	1.50	1.50%	15.00
23	2107	2107	100.00	1.50	1.50%	15.00
24	2108	2108	100.00	1.50	1.50%	15.00
25	2109	2109	100.00	1.50	1.50%	15.00
26	2110	2110	100.00	1.50	1.50%	15.00
27	2111	2111	100.00	1.50	1.50%	15.00
28	2112	2112	100.00	1.50	1.50%	15.00
29	2113	2113	100.00	1.50	1.50%	15.00
30	2114	2114	100.00	1.50	1.50%	15.00
31	2115	2115	100.00	1.50	1.50%	15.00
32	2116	2116	100.00	1.50	1.50%	15.00
33	2117	2117	100.00	1.50	1.50%	15.00
34	2118	2118	100.00	1.50	1.50%	15.00
35	2119	2119	100.00	1.50	1.50%	15.00
36	2120	2120	100.00	1.50	1.50%	15.00
37	2121	2121	100.00	1.50	1.50%	15.00
38	2122	2122	100.00	1.50	1.50%	15.00
39	2123	2123	100.00	1.50	1.50%	15.00
40	2124	2124	100.00	1.50	1.50%	15.00
41	2125	2125	100.00	1.50	1.50%	15.00
42	2126	2126	100.00	1.50	1.50%	15.00
43	2127	2127	100.00	1.50	1.50%	15.00
44	2128	2128	100.00	1.50	1.50%	15.00
45	2129	2129	100.00	1.50	1.50%	15.00
46	2130	2130	100.00	1.50	1.50%	15.00
47	2131	2131	100.00	1.50	1.50%	15.00
48	2132	2132	100.00	1.50	1.50%	15.00
49	2133	2133	100.00	1.50	1.50%	15.00
50	2134	2134	100.00	1.50	1.50%	15.00
51	2135	2135	100.00	1.50	1.50%	15.00
52	2136	2136	100.00	1.50	1.50%	15.00
53	2137	2137	100.00	1.50	1.50%	15.00
54	2138	2138	100.00	1.50	1.50%	15.00
55	2139	2139	100.00	1.50	1.50%	15.00
56	2140	2140	100.00	1.50	1.50%	15.00
57	2141	2141	100.00	1.50	1.50%	15.00
58	2142	2142	100.00	1.50	1.50%	15.00
59	2143	2143	100.00	1.50	1.50%	15.00
60	2144	2144	100.00	1.50	1.50%	15.00
61	2145	2145	100.00	1.50	1.50%	15.00
62	2146	2146	100.00	1.50	1.50%	15.00
63	2147	2147	100.00	1.50	1.50%	15.00
64	2148	2148	100.00	1.50	1.50%	15.00
65	2149	2149	100.00	1.50	1.50%	15.00
66	2150	2150	100.00	1.50	1.50%	15.00
67	2151	2151	100.00	1.50	1.50%	15.00
68	2152	2152	100.00	1.50	1.50%	15.00
69	2153	2153	100.00	1.50	1.50%	15.00
70	2154	2154	100.00	1.50	1.50%	15.00
71	2155	2155	100.00	1.50	1.50%	15.00
72	2156	2156	100.00	1.50	1.50%	15.00
73	2157	2157	100.00	1.50	1.50%	15.00
74	2158	2158	100.00	1.50	1.50%	15.00
75	2159	2159	100.00	1.50	1.50%	15.00
76	2160	2160	100.00	1.50	1.50%	15.00
77	2161	2161	100.00	1.50	1.50%	15.00
78	2162	2162	100.00	1.50	1.50%	15.00
79	2163	2163	100.00	1.50	1.50%	15.00
80	2164	2164	100.00	1.50	1.50%	15.00
81	2165	2165	100.00	1.50	1.50%	15.00
82	2166	2166	100.00	1.50	1.50%	15.00
83	2167	2167	100.00	1.50	1.50%	15.00
84	2168	2168	100.00	1.50	1.50%	15.00
85	2169	2169	100.00	1.50	1.50%	15.00
86	2170	2170	100.00	1.50	1.50%	15.00
87	2171	2171	100.00	1.50	1.50%	15.00
88	2172	2172	100.00	1.50	1.50%	15.00
89	2173	2173	100.00	1.50	1.50%	15.00
90	2174	2174	100.00	1.50	1.50%	15.00
91	2175	2175	100.00	1.50	1.50%	15.00
92	2176	2176	100.00	1.50	1.50%	15.00
93	2177	2177	100.00	1.50	1.50%	15.00
94	2178	2178	100.00	1.50	1.50%	15.00
95	2179	2179	100.00	1.50	1.50%	15.00
96	2180	2180	100.00	1.50	1.50%	15.00
97	2181	2181	100.00	1.50	1.50%	15.00
98	2182	2182	100.00	1.50	1.50%	15.00
99	2183	2183	100.00	1.50	1.50%	15.00
100	2184	2184	100.00	1.50	1.50%	15.00

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

Stock Exchange dealing classifications are indicated to the right of security names: alpha (A) Best, y (G) Worst.

Underlined numbers indicate price ranges in pence. Numbers in parentheses and denominations are % rise. Enbraced price/earnings ratios and price/yield ratios are shown where appropriate. Where possible, prices are quoted on half-penny figures. P/E's are calculated on "net" distribution basis, earnings per share being computed after deducting the cost of the share. Dividend yields are calculated on "practiced" figures, indicate 10 pence or more difference if "actual" figures are used. "Actual" figures are used where a "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional items. Dividends are shown in pence. Dividend cover is shown as a ratio. Yields are based on middle prices, are gross, adjusted to Act of 1925 per cent and allow for taxation. **Other abbreviations and rights:**

- "Tap Stock"
- Rights and shares marked "A" have been adjusted allow for rights and shares for cash
- Rights since increased or resumed
- Rights since decreased or resumed
- Tax-free to non-residents on application
- "S" Special dividend
- "N" Not officially UK listed: dealings permitted under rule 10 of the Stock Exchange
- "D.M." Not listed on Stock Exchange and company not subject to same degree of regulation as listed securities
- "P" Price at time of suspension
- "S.C." Special dividend scrip and rights issue
- "R" Rights relative to previous dividend or forecast
- "M.R." Merger bid or reorganisation in progress
- "S.I." Special Interest
- "R.D." Reduced final annual reduced earnings underwritten
- "F.D." Forecast dividend: cover on earnings updated by latest interim statement
- "C.R." Conversion of shares not now rank for dividends at ranking only for restricted dividend
- "U.S." United States listed: no US up rank for dividends at rank only. No P/E usually provided

## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar and sterling improve

THE DOLLAR rose in quiet foreign exchange trading, as dealers looked for fresh incentives to move the market. It was a slow start in Europe as Tokyo remained closed after the New Year. Recent economic data has favoured the dollar and sterling, enabling both currencies to rally against the D-Mark in spite of speculation about higher West German interest rates.

In Amsterdam Mr Wim Kok, the Dutch Finance Minister, indicated that the guilder will maintain its value against the D-Mark in any realignment of the European Monetary System this year. In Paris there was speculation that the Bank of France would have to raise its interest rates if a devaluation of the franc against the D-Mark was to be avoided. Call money traded at 11 1/2 per cent yesterday, well above the central bank's 10 1/2 per cent intervention rate. The Bank of France offered to ease the tight conditions by offering bills overnight funds at a penal rate of 11 1/2 per cent, adding to fears of higher official rates.

The main factor providing support for the dollar was a stronger than expected survey from the National Association of Purchasing Management. This offset an earlier trend in US interest rates. In New York

Bankers Trust cut its broker loan rate by 1 per cent to 9 1/2 per cent, but there appeared to be little significance in the Fed's move to add money market liquidity via two-day system repurchase agreements when Federal funds were trading at 8 1/2 per cent, against an assumed target of 8 1/2 per cent. The NAPM's index of economic activity of 48 per cent for December still suggests the US economy is slowing - a figure under 50 per cent points to a slowdown, but the figure was not expected to be much changed from the November's 46.6 per cent, and therefore the dollar rallied. News that US construction spending rose 1.5 per cent in November, after falling 0.1 per cent in October, had no impact.

Reasonably optimistic news about the economy was enough to push the dollar higher in trading after a period when the US currency has

fallen steadily against the D-Mark. The dollar's upward trend led to short covering and triggered stop loss buying orders.

The dollar finished in Europe below the day's peaks, after the Federal Reserve intervened to sell the US currency against the Japanese yen. It rose to DM1.7085, from DM1.6915 on Friday, to Y146.30 from Y145.80; to SF1.5715 from SF1.5425; and to FF5.8300 from FF5.7860. The dollar's index advanced to 67.9 from 67.3.

Sterling rose with the dollar after last week's announcement of a smaller than feared UK trade deficit in November. The pound was little changed at \$1.6125 against \$1.6125 on Friday, but rose to DM2.7550 from DM2.7275; to Y235.75 from Y231.75; to SF2.5325 from SF2.4875; and to FF9.3975 from FF9.3300. Sterling's index gained 0.8 to 88.8.

## EURO-CURRENCY INTEREST RATES

EURO CURRENCY INTEREST RATES						
Jan 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 1/2-15	15 1/2-15	15 1/2-15	15 1/2-15 3/4	15-14 3/4	14 1/2-14
US Dollar	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2
DM (Germany)	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2
G. (Greece)	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2
Fr. (France)	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2	8 1/2-8 1/2
Italy (Lira)	11-11 1/2	11-11 1/2	11-11 1/2	11-11 1/2	11-11 1/2	11-11 1/2
Spain (Ptas)	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
B. (Portugal)	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Br. (Brazil)	6 1/2-6 1/2	6 1/2-6 1/2	6 1/2-6 1/2	6 1/2-6 1/2	6 1/2-6 1/2	6 1/2-6 1/2

هذه نسخة من

[illegible]

## A black and white illustration of a cowboy on a horse. The cowboy is wearing a wide-brimmed hat and a light-colored shirt. He is holding a lasso aloft in his right hand. The horse is in motion, galloping to the left. The background is plain white.

**Continued on Page 33**

## هذه امانة الفصول

**NASDAQ NATIONAL MARKET**[illegible]

**3pm prices  
January 2**

**3pm prices  
January 2**

[illegible]

**It's attention to detail**  
like providing the Financial Times to breakfast  
guarantees that makes a great hotel.

Complimentary copies of the Financial Times  
are available for business guests staying at the  
Scandic Crown Hotel in Brussels.

**SCANDIC CROWN HOTEL**

BRUSSELS

**FINANCIAL TIMES**

## AMERICA

## Dow makes positive start to the new decade

## Wall Street

THE DECADE opened on a positive note, with equities trading higher throughout yesterday morning, writes Karen Zagar in New York.

At 2pm, the Dow Jones Industrial Average was up 21.12 at 2,774.32 after falling more than 13 points shortly after the market opened. Volume on the New York Stock Exchange was fairly light, with less than 95m shares changing hands by 1.30pm. On the big board, advancing issues outpaced those declining by a ratio of three to two.

The stock market took some strength from yesterday morning's purchasing managers' report, which indicated that the industrial sector of the economy was stronger than expected. Although the report indicated that the economy was declining for an eighth consecutive month, December's purchasing managers' index of 48 per cent was its lowest rate of decline since last June. In November the index was 46.6 per cent and the market had expected December's figure to be the same.

The news was not entirely positive. There were declines in the vendor deliveries index and the price index, indicating continued weakness in the underlying economy.

The data failed to bolster the debt market. At mid-session, the Treasury's benchmark 30-year bond was down a point at 101.4, yielding 7.97 per cent. At the short end of the yield curve

the two-year issue was unchanged, yielding 7.83 per cent. The purchasing managers' report was more bullish for the dollar, which was quoted at ¥148.10 and DML710 in active New York trading, considerably higher than its late Friday level of ¥143.85 and DML697.

Traders expect the stock market to receive support at the start of the year from reinvestment demand from pension funds and other institutions. A number of technology stocks, which fell sharply at the end of the year, rallied yesterday morning. IBM gained 3.2% to \$96. Digital Equipment added 1.1% to \$83. Commodities

improved 1.1% to \$81. Unisys was up 1/4 to \$15 1/4 and Apple gained 1/4 to \$36 1/4 in over-the-counter trading.

Among featured stocks, Toys 'R Us rose 1/2 to \$37 after the company said sales for the important Christmas period were 22.7 per cent higher than a year earlier.

Consolidated Stores fell 1/4 to 33 1/4 in unusually active trading amid speculation about weak Christmas sales. However, a number of retailing stocks did reasonable well yesterday morning. Wal-Mart advanced 1/4 to \$45. Sears added 3/4 to \$38 1/4. Woolworth rose 1/4 to \$6 1/4. Among specialty retailing

shares, the Gap added 1/4 to \$51 1/4. Lands' End added 1/4 to \$20 1/4 and the Limited increased 1/4 to \$35 1/4.

Dupont rose 1/4 to \$123 1/4 after the company said it would sell its technology blood screening business to Ortho Diagnostics Systems, a subsidiary of Johnson & Johnson, and Chiron of Emeryville, California. Johnson & Johnson slipped 1/4 to \$89 1/4 and Chiron added 1/4 to \$29 in over-the-counter trading.

Union Pacific gained 1/4 to \$78 1/4 after the company said it would sell most of the assets of its Union Pacific Realty subsidiary for about \$532m to an affiliate of The Koll Company. A

number of blue chip stocks posted gains in morning trading. Philip Morris added 1/4 to \$43 1/4. AT&T added 1/4 to \$46. General Electric rose 1/4 to \$65 1/4 and Union Carbide improved 1/4 to \$33 1/4.

## Canada

DEMAND for foreign investors for Laidlaw shares boosted Toronto stocks from an early deficit. The composite index rose 13.3 points to 3,983.7 on volume of 8.2m. Declines led advances 216 to 180.

Laidlaw class B shares gained 1/4 to \$27 1/4 while its class A shares rose 1/4 to \$27 1/4 in active trade.

## EUROPE

## Dealers buy Frankfurt on Japanese prospects

THE PHENOMENON born of West Germany's political, industrial and economic prospects was demonstrated yet again yesterday, as domestic caution was again outweighed by speculation about international investment interest, writes Our Markets Staff.

FRANKFURT survived a steep drop at the opening to close with the DAX index up 24.01 on the day, and 2.2 per cent over its early low at 1,814.38.

The FAZ rose 5.31 to 746.24 at mid-session, and was promising to hit a new all-time high today, its previous high was 738 in April 1986.

The early drop reflected a very weak domestic bond market; the metalworkers' wage and working hours negotiations which begin next week; and, on January 15, exercise day for extremely profitable three-month contracts in the equity options market, which ought to indicate prospects of substantial selling.

The recovery was widely ascribed to foreign investment buying, following the Japanese interest which led last week's rally. However, there was domestic and UK buying from traders who expect to pass the stock on to the Japanese when their market reopens tomorrow after an extended New Year holiday.

PARIS saw thin volume as investors drifted slowly back after the holiday period. After

an opening decline the market followed Wall Street's lead and recovered ground. The CAC General index closed down 0.70 at 555.00.

Euro Disneyland provided the main interest, rising Ffr2 to Ffr94.50 with 236,000 shares changing hands. This is the last week before American investors can enter the fray, and investors have been showing renewed interest in the stock.

Paribas, which announced yesterday that it was setting up a foreign shareholders' committee, slumped Ffr24 to Ffr700 after profit-taking.

Other stocks attracting attention included Lafarge ahead of its four-for-one share split tomorrow. It closed Ffr2 up at Ffr1,602.

AMSTERDAM balanced a slump on the Dutch bond market with the stronger US dollar. Royal Dutch Shell rose Ffr2.20 to Ffr148.50, while Unilever rose Ffr1.70 to Ffr162.30. The CBS general index closed 1.1 up at 209.9.

BRUSSELS had a breakdown on its bourse computer, which must have reminded stock exchange officials of the embarrassments of mid-October, when its new system was out for six days during a world-wide slump in share prices.

However, yesterday's was a very brief lapse, and the cash market added 13.67 to close at 6,490.06.

MILAN was delayed too, in this case by a 20 minutes' strike by stockbrokers who halted trading to protest against the lack of progress in modernising Italy's securities industry in preparation for 1992, and the advent of a single European market. Share prices finished little changed in quiet trading.

OSLO continued to benefit from higher crude and refined oil prices in busy trading. The all-share index closed 12.45 up at 539.94 in Nkr420.8m worth of trading.

While all industry indices closed ahead, oil stocks were in particular demand. Norsk Hydro added Nkr5 to close at Nkr173, while Saga Petroleum closed Nkr2.5 up at Nkr167.5.

STOCKHOLM closed slightly lower in quiet trading with the SMI 15.02. The Affarsvarlden General index slipped 16.8 to 1,245.1. Against the general trend, Ericsson rose 3 shares gained Nkr5 to close at Nkr885.

HELSINKI fell sharply as profit-takers took advantage of some of the gains made prior to the Christmas break. The Unitas all-share index closed 18.5 down at 690.5 in trading worth Ffr56.2m.

COPENHAGEN closed lower in thin volume, the bourse index finishing 4.45 lower at 358.77.

MADRID edged slightly forward in quiet trading. The general index closed 0.95 up at 297.55.

## ASIA PACIFIC

## New O-T-C market lifts Singapore

BY AND large, the Pacific Basin markets which reopened yesterday after the New Year holiday had a good start to 1990, writes Our Markets Staff.

SINGAPORE brushed aside last Friday's announcement that the Kuala Lumpur Stock Exchange would not recognise the new Singapore over-the-counter market, known as CLOB International.

CLOB, launched yesterday to offset Sunday's delisting of 182 Malaysian stocks from the Stock Exchange of Singapore (SES), made a brisk start. It led a rush of speculative buying which took the Straits Times Industrial index up 18.13 to

1499.46, tantalisingly close to its all-time high of 1,505.

Yesterday marked the first day of the split between the Kuala Lumpur and Singapore exchanges. Acting on government orders, Malaysian companies, which had accounted for some 40 per cent of daily volume, withdrew their listings from the Singapore bourse.

KUALA LUMPUR, which added on Friday that it will list and quote warrants and transferable subscription rights, saw sentiment lifted by Friday's rally on Wall Street, and favourable local reaction to the split from Singapore. Gains outnumbered losses by 150 to

35, turnover rose from 125m to 134m shares and the KLSE composite index rose 9.50 to a new record high of 571.88.

AUSTRALIA firmed in thin trade, led by resource issues. The All Ordinaries index gained 5.7 to 1,854.7 as turnover slumped to 42m worth A\$53m from 111m and A\$214m. The appointment of a receiver-manager to the Australian brewing units of Bond Corp left Bond and its Bell Resources associate suspended last Friday. Yesterday it hit the Bell Group associate which fell 5 cents to 30 cents. Adelaide Steamship, which owns 19.9 per cent of Bell, fell 22

cents to A\$6.06.

HONG KONG recovered from a 38-point fall in the Hang Seng index in the first half hour, closing 1.50 higher at 2,838.07 after Friday's 58.86 fall.

However, turnover reflected the renewed war of words between China and the UK, falling from HK\$940m to HK\$488m, its lowest for three weeks.

MANILA finished slightly higher in thin trading as turnover was estimated at around 40m pesos, compared with an average daily turnover of 100m during the last week of December. The Manila composite index rose 10.88 to 1,115.56.

## HOW THE WORLD MARKETS PERFORMED IN 1989

## KEY

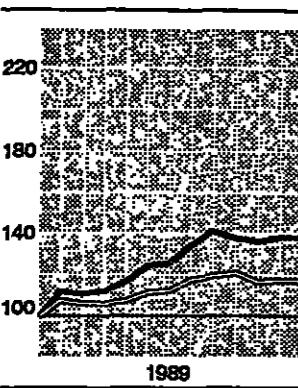
■ Pound sterling Index  
□ Local currency Index

Figures below charts show: Quarterly and annual capital changes (%) in local currency.

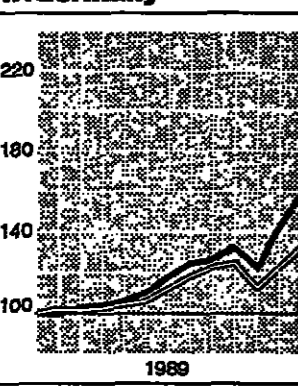
1, 2, 3, 4 = first, second, third, fourth quarter changes.

Sources: FT-Actuaries World Index. Figures jointly compiled by the Financial Times, Goldman Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

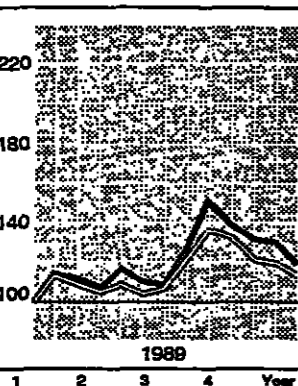
## Canada



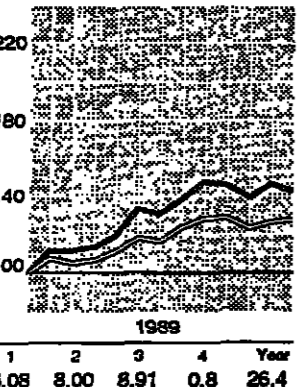
## W. Germany



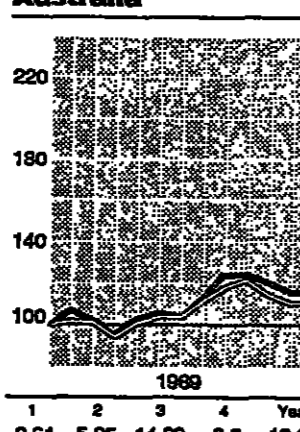
## New Zealand



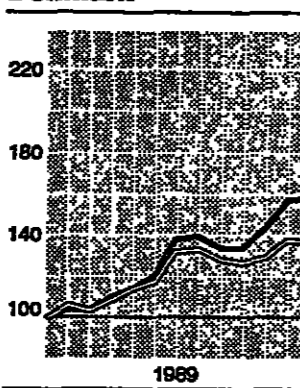
## US



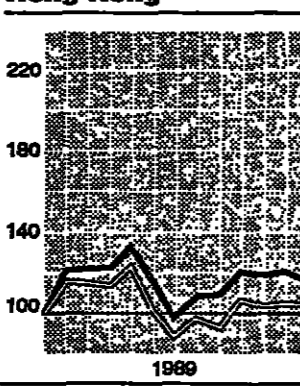
## Australia



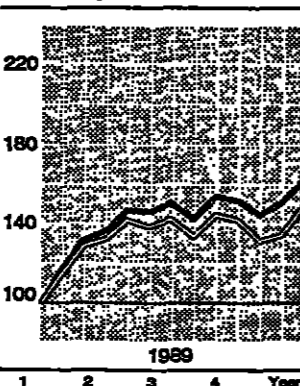
## Denmark



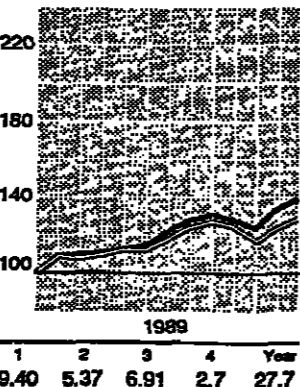
## Hong Kong



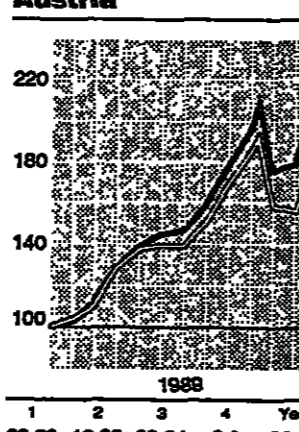
## Norway



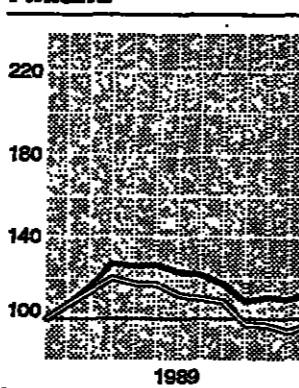
## Europe



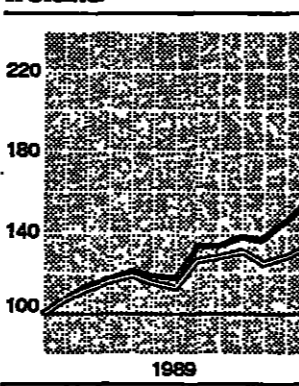
## Austria



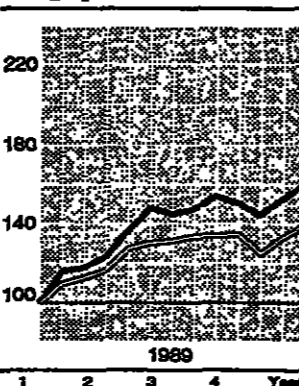
## Finland



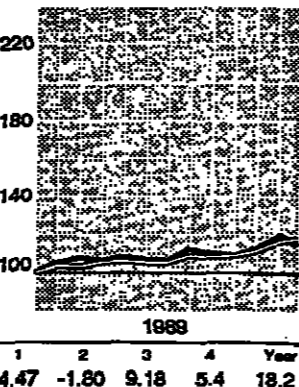
## Ireland



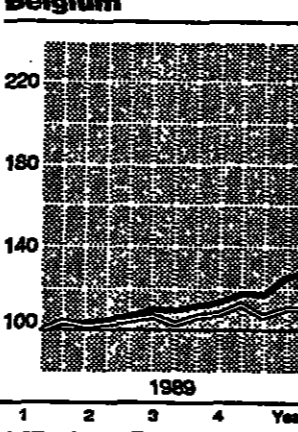
## Singapore



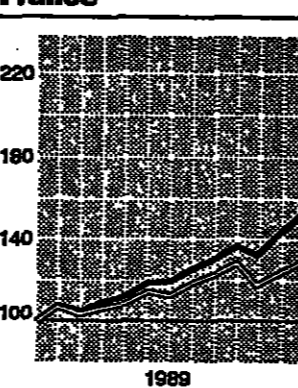
## Pacific Basin



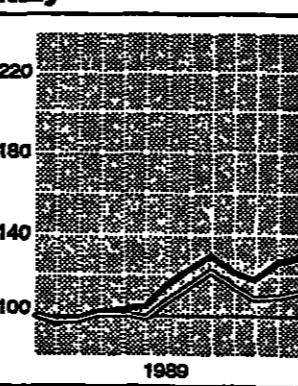
## Belgium



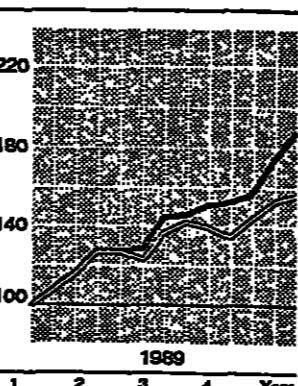
## France



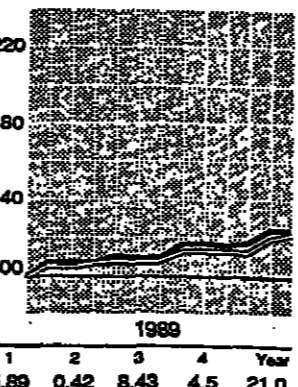
## Italy



## South Africa



## Euro-Pacific



## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 29 1989						THURSDAY DECEMBER 28 1989						DOLLAR INDEX	
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)		
Australia (85)	151.38	-0.6	139.18	127.42	+0.0	5.35	162.34	139.98	127.41	180.41	128.28	144.45		
Austria (19)	182.20	+0.0	167.52	159.93	+0.0	1.52	182.24	167.45	159.93	182.24	92.84	95.94		
Belgium (39)	154.87	-0.1	142.21	135.79	+0.0	4.10	154.88	142.32	135.79	154.88	125.58	135.10		
Canada (120)	182.16	+0.8	139.92	127.66	+0.8	3.14	151.22	138.95	126.64	154.17	124.87	125.55		
Denmark (35)	242.22	+0.3	222.71	216.77	+0.2	1.45	241.57	221.97	216.55	242.22	165.35	156.66		
Finland (26)	183.30	-0.4	122.56	113.09	-0.4	2.49	183.85	122.97	113.54	159.16	118.63	130.87		
France (126)	158.03	-0.3	143.46	141.59	+0.1	2.64	156.44	143.75	141.47	156.44	112.57	115.04		
West Germany (96)	122.72	-0.3	113.75	108.80	+0.0	1.94	124.05	113.98	108.80	124.05	79.56	87.96		
Hong Kong (48)	117.13	-1.9	107.70	117.37	-1.9	4.66	118.38	108.68	118.67	140.38	65.41	111.80		
Ireland (17)	181.54	+0.6	166.91	164.86	+0.3	2.84	180.36	165.73	163.17	181.54	125.00	131.78		
Italy (97)	99.43	-0.3	90.50	93.23	+0.0	2.46	98.75	90.74	93.26	98.75	74.97	85.13		
Japan (455)	187.40	-0.1	181.50	179.48	-0.3	0.95	187.58	181.55	179.48	200.11	164.22	191.50		
Malaysia (38)	225.04	-0.4	210.59	208.04	-0.4	2.25	225.98	211.33	208.94	225.99	143.35	143.50		
Mexico (13)	325.47	+0.7	299.25	297.23	+1.2	0.54	323.10	296.89	294.04	326.61	153.32	161.84		
Netherlands (43)	143.89	+0.5	132.30	125.50	+0.8	4.25	143.23	131.61	124.47	143.89	110.63	112.41		
New Zealand (18)	122.09	-0.3	104.44	104.44	-0.3	5.47	122.28	104.42	104.42	122.28	62.64	67.60		
Norway (24)	189.85	+1.8	183.75	178.99	+2.1	1.52	188.27	180.35	178.29	189.85	188.82	138.83		
Singapore (26)	177.21	-1.4	162.93	155.16	-0.9	1.88	179.77	165.19	155.19	177.21	124.57	125.10		
South Africa (80)	186.53	-0.4	180.70	182.07	+0.6	3.72	187.36	181.35	181.35	187.36	115.35	116.85		
Spain (43)	183.08	-0.2	148.94	135.18	+0.1	2.13	183.44	150.18	135.18	183.44	145.14	148.39		
Sweden (35)	182.05	+0.2	178.58	178.05	+0.0	1.95	191.83	178.08	178.08	192.05	138.45	144.80		
Switzerland (62)	94.07	-0.3	88.49	89.95	+0.0	1.99	94.31	88.86	89.95	94.31	67.81	78.08		
United Kingdom (303)	158.70	+0.9	145.91	145.91	+1.0	4.28	157.23	144.47	144.47	157.23	133.28	135.31		
USA (542)	143.05	+0.8	131.53	143.05	+0.8	3.27	141.95	130.43	141.95	142.99	112.13	113.18		
Europe (930)	142.38	+0.3	130.91	128.34	+0.5	3.29	141.97	130.45	127.74	142.38	112.63	114.59		
Nordic (121)	187.37	+0.4	172.27	162.89	+0.3	1.74	186.59	171.54	162.46	187.37	137.95	138.65		
Pacific Basin (688)	192.59	-0.1	177.07	174.97	+0.3	0.89	192.88	177.21	174.49	194.72	180.44	185.33		
Euro-Pacific (1658)	172.66	+0.0	158.75	156.34	+0.3	1.58	172.65	158.65	156.31	173.24	141.56	157.81		
North America (662)	143.48	+0.8	131.63	142.07	+0.8	3.28	142.40	130.84	140.97	143.48	112.79	113.84		
Europe Ex UK (867)	117.82	-0.1	106.53	117.82	-0.1	2.63	117.82	106.53	117.82	117.82	111.33	101.40		
Pacific Ex Japan (213)	134.94	-1.0	124.07	119.90	-0.6	4.82	135.35	125.26	120.64	140.05	111.33	101.40		
World Ex US (1851)	172.27	+0.0	158.39	155.56	+0.4	1.63	172.24	158.27	155.01	172.78	141.49	156.08		
Asia Ex Japan (1038)	143.07	+0.8	131.53	143.07	+0.8	3.27	141.95	130.43	141.95	142.99	112.13	113.18		
World Ex. So. Af. (2333)	180.54	-0.3	147.61	151.26	+0.5	2.13	180.13	147.13	150.58	196.87	136.67	139.69		
World Ex. Japan (1938)	143.47	+0.5	131.91	136.78	+0.6	3.34	142.76	131.18	135.96	143.47	114.51	114.64		
The World Index (2393)	160.75	+0.3	147.61	151.26	+0.5	2.14	160.35	147.34	150.53	160.75	138.68	139.69		